

REBUTTAL TESTIMONY

OF

KAREN A. GOLDBERGER

ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION
ON ITS OWN MOTION

-VS-

ILLINOIS-AMERICAN WATER COMPANY
DOCKET No. 00-0340

OCTOBER 2000

1 **Witness Identification**

2 Q. **Please state your name and business address.**

3 A. My name is Karen A. Goldberger. My business address is 527 East
4 Capitol Avenue, Springfield, Illinois 62701.

5 Q. **Have you previously filed testimony in this proceeding?**

6 A. Yes. Direct testimony was filed in August 2000.

7 **Purpose of Testimony**

8 Q. **What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is as follows:

- 10 1. to present the rebuttal Staff revenue requirement schedules for
11 each District for which Illinois-American Water Company (IAWC
12 or Company) is requesting a rate increase. These schedules are
13 based upon the revision that IAWC made in its rebuttal testimony
14 and Staff's adjustments thereto; and
- 15 2. to present testimony regarding cash working capital, rate case
16 expense, charitable contribution expense, accumulated deferred
17 income taxes, Alton Plant Property Taxes, reengineering costs,
18 solid waste disposal expense, Champaign office building lease

19 expense, lobbying expense, deferred incomes taxes for change
20 the depreciation expense, gross revenue conversion factor, and
21 invested capital tax.

22 **Q. What are the designations used by Staff to identify the Districts?**

23 **A.** The designations are as follows:

- 24 • Southern and Peoria (S&P)
- 25 • Champaign (CP)
- 26 • Sterling (STG)
- 27 • Streator (STR)
- 28 • Pontiac (PT)

29 **Q. Are you sponsoring any schedules as part of ICC Staff Ex. 6.0?**

30 **A.** Yes. I prepared the following schedules for the Company, which show
31 data as of, or for the test year ending December 31, 2001:

32 Schedule 6.1-S&P - Statement of Operating Income with Adjustments

33 Schedule 6.2-S&P - Adjustments to Operating Income

34 Schedule 6.3-S&P -Rate Base

35 Schedule 6.4-S&P -Adjustments to Rate Base

36 Schedule 6.5-S&P -Revenue Effects of Adjustments

37 Schedule 6.6-S&P - Interest Synchronization Adjustment

38 Schedule 6.7-S&P - Adjustment to Cash Working Capital

39 Schedule 6.8-S&P - Adjustment to Deferred Income Taxes for Change in
40 Depreciation Expense.
41

42 Schedule 6.1-CP - Statement of Operating Income with Adjustments
43 Schedule 6.2-CP - Adjustments to Operating Income
44 Schedule 6.3- CP -Rate Base
45 Schedule 6.4-CP -Adjustments to Rate Base
46 Schedule 6.5-CP -Revenue Effects of Adjustments
47 Schedule 6.6-CP - Interest Synchronization Adjustment
48 Schedule 6.7-CP - Adjustment to Cash Working Capital
49 Schedule 6.1-STG - Statement of Operating Income with Adjustments
50 Schedule 6.2-STG - Adjustments to Operating Income
51 Schedule 6.3- STG -Rate Base
52 Schedule 6.4-STG -Adjustments to Rate Base
53 Schedule 6.5-STG -Revenue Effects of Adjustments
54 Schedule 6.6-STG - Interest Synchronization Adjustment
55 Schedule 6.7-STG - Adjustment to Cash Working Capital
56 Schedule 6.1-STR - Statement of Operating Income with Adjustments
57 Schedule 6.2-STR - Adjustments to Operating Income
58 Schedule 6.3- STR -Rate Base
59 Schedule 6.4-STR -Adjustments to Rate Base
60 Schedule 6.5-STR -Revenue Effects of Adjustments
61 Schedule 6.6-STR - Interest Synchronization Adjustment
62 Schedule 6.7-STR - Adjustment to Cash Working Capital
63 Schedule 6.1-PT - Statement of Operating Income with Adjustments

64 Schedule 6.2-PT - Adjustments to Operating Income
65 Schedule 6.3- PT -Rate Base
66 Schedule 6.4-PT -Adjustments to Rate Base
67 Schedule 6.5-PT -Revenue Effects of Adjustments
68 Schedule 6.6-PT - Interest Synchronization Adjustment
69 Schedule 6.7-PT - Adjustment to Cash Working Capital

70 **Accepted Adjustments**

71 Q. Did the Company accept any of the adjustments you proposed in your
72 direct testimony?

73 A. Yes. Based on my review of the Company's rebuttal testimony, specifically
74 Exhibit No. R-1, Rebuttal Testimony of Ronald D. Stafford, the Company
75 accepted my adjustments to rate case expense, charitable contribution
76 expense, accumulated deferred income taxes, Alton Plant property taxes,
77 Champaign office lease expense, reengineering costs and solid waste
78 disposal expense. Also, the Company did not object to my
79 recommendation that the record reflect that the Company shall not include
80 lobbying expenses in the future. My direct testimony, ICC Staff Ex. 1.0,
81 explains these adjustments and the schedules in my direct testimony show
82 those adjustments and are incorporated in Staff's rebuttal revenue
83 requirement.

Revenue Requirement Schedules

**Q. Please describe ICC Staff Ex. 6.0, Schedule 6.1, for each District,
Statement of Operating Income with Adjustments.**

A. Schedule 6.1 is the same as ICC Staff Ex. 1.0, Schedule 1.1, described on
pages 6 and 7 of ICC Staff Ex. 1.0, except that it incorporates current
Company and Staff positions.

**Q. Please describe ICC Staff Ex. 6.0, Schedule 6.2, for each District,
Adjustments to Operating Income.**

A. Schedule 6.2 identifies Staff's adjustments to Operating Income. The
source of each adjustment is shown in the heading of each column.
Column (K) is carried forward to ICC Ex. 6.0, Schedule 6.1, Column (C).

**Q. Please describe ICC Staff Ex. 6.0, Schedule 6.3, for each District,
Rate Base.**

A. Schedule 6.3 is the same as ICC Staff Ex. 1.0, Schedule 1.3 described on
pages 7 & 8 of ICC Staff Ex. 1.0, except that it incorporates current
Company and Staff positions.

**Q. Please describe ICC Staff EX. 6.0 , Schedule 6.4, for each District,
Adjustments to Rate Base.**

102 A. Schedule 6.4 identifies Staff's adjustments to rate base. The source of
103 each adjustment is shown in the heading of each column. Column (K) is
104 carried forward to ICC Ex. 6.0, Schedule 6.3, Column (C).

105 Q. **What is the purpose of ICC Staff Ex. 6.0, Schedule 6.5, for each**
106 **District?**

107 A. Schedule 6.5 is the same as ICC Staff Ex. 1.0, Schedule 1.5 described on
108 page 8 of ICC Staff Ex. 1.0, except that it incorporates current Company
109 and Staff positions.

110 **Interest Synchronization**

111 Q. **Please explain ICC Staff EX. 6.0, Schedule 6.6, for each District,**
112 **Interest Synchronization Adjustment.**

113 A. Schedule 6.6 computes the interest component of revenue requirement.
114 The interest expense (component) is computed by multiplying the rate base
115 by weighted cost of debt. The calculated interest expense is then
116 compared against the interest expense used by the Company in its
117 computation of test year income tax expense. The tax effect of the
118 difference in interest expense is the adjustment for interest synchronization.
119 The effect of this adjustment is to ensure that the revenue requirement

120 reflects the tax savings generated by the interest component of revenue
121 requirement.

122 **Cash Working Capital**

123 Q. **Please describe ICC Staff Ex. 6.0, Schedule 6.7, for each District,**
124 **Adjustment to Cash Working Capital.**

125 A. The Company based its cash working capital computation on the operating
126 expense amount presented in its filing. Subsequently Staff has made
127 adjustments to the Company's operating expense amount and cash working
128 capital has changed accordingly to reflect Staff's proposed adjustments to
129 expenses as shown on Schedule 6.7. This adjustment will be updated to
130 reflect the operating expenses approved by the Commission.

131 **Deferred Income Taxes Related to Change in Depreciation Expense**

132 Q **Please describe ICC Staff Ex. 6.0, Schedule 6.8 -S & P, Adjustment to**
133 **Deferred Income Taxes for Change in Depreciation Expense for the**
134 **Southern and Peoria District.**

135 A. Schedule 6.8 - S&P shows my adjustments to deferred income tax expense
136 and accumulated deferred income taxes due to Staff's proposed
137 adjustment to depreciation expense as shown on ICC Staff Ex. 7.0,

138 Schedule 7.1 - S&P. Because Staff is proposing an adjustment to
139 depreciation expense, I am proposing the corresponding adjustments to the
140 deferred income tax expense and accumulated deferred income taxes for
141 the change in depreciation expense. The change to the income tax
142 expense is reflected on ICC Staff Ex. 6.0, Schedule 6.2- S&P, Column J,
143 Lines 19 and 20.

144 **Gross Revenue Conversion Factor**

145 Q. In your direct testimony you stated you were proposing a GRCF that
146 was consistent with Staff's capital structure. Is that the only reason
147 for your proposed GRCF?

148 A. No. The purpose of the GRCF is to calculate the gross revenue required
149 for the net operating income. Put simply, it is a multiplier used to determine
150 the amount of revenues needed for the income taxes, and in this case, the
151 uncollectible expense associated with the net operating income.

152

153 The invested capital tax is an average of the balances at the beginning and
154 end of the taxable period of a utility's total stockholders' equity and total
155 long-term debt, less investment in and advances to all corporations, as
156 explained in the 1998 CCH "Guidebook to Illinois Taxes," Section 2430, and
157 shown on the Illinois Department of Revenue Form ICT-1. The Company

158 calculated the invested capital tax in the manner prescribed by the Illinois
159 Department of Revenue using the 12/31/00 and the 12/31/01 balances as
160 shown on the Company's invested capital tax calculation provided to Staff.

161

162 While net income can affect retained earnings, the invested capital tax is
163 based upon an average of several factors that can be affected by such
164 events as dividends or stock buy-backs and debt restructuring and is not
165 directly related to revenues.

166

167 Therefore, to include a tax on the average of factors that are not revenue
168 based in the determination of the GRCF, which is revenue based, would be
169 inappropriate.

170 Staff's GRCF is shown in ICC Staff Ex 1.0, Schedule 1.7 for each District.

171 **Conclusion**

172 Q. **Do you have any additional comments?**

173 A. Yes. Although the invested capital tax should not be part of the GRCF
174 calculation, as I stated in Staff Response to Company Data Request KAG-
175 2, "...to the extent that changes in the capital structure result in material
176 change to the invested capital tax expense, Staff agrees that a

177 corresponding adjustment should be made to reflect that material change in
178 the invested capital tax.”

179 However, the difference between the Company’s invested capital tax and
180 the invested capital tax calculated using Staff’s capital structure in its
181 rebuttal case is immaterial; therefore, I am not proposing an adjustment to
182 the invested capital tax.

183 Q. **Does this conclude your prepared direct testimony?**

184 A. Yes

Illinois-American Water Company
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
Champaign District

| Line No | Description | Company Pro Forma Present (C-2) (B) | Staff Adjustments (St. Ex. 6.0) Sch 6.2-CP (C) | Staff Pro Forma Present (Cols. B+C) (D) | Company Proposed Increase (C-1) (E) | Staff Gross Revenue Conversion Factor (F) | Proposed Rates with Staff Adjustments (Cols. D+E+F) (G) | Adjustment To Proposed Increase (H) | Staff Pro Forma Proposed (Cols. G+H) (I) | Revenue Change (Col I-D) (J) | % Revenue Change (3) (K) |
|---------|-------------------------------------|---|--|---|---|--|--|---|--|---------------------------------------|-----------------------------------|
| 1 | Water Sales | \$ 15,558,796 | \$ - | \$ 15,558,796 | \$ 1,519,095 | \$ (4,493) | \$ 17,073,398 | \$ (407,273) | \$ 16,666,125 | | |
| 2 | Other Operating Revenue | <u>178,629</u> | <u>-</u> | <u>178,629</u> | <u>-</u> | <u>-</u> | <u>178,629</u> | <u>-</u> | <u>178,629</u> | | |
| 3 | Total Operating Revenue | 15,737,425 | - | 15,737,425 | 1,519,095 | (4,493) | 17,252,027 | (407,273) | 16,844,754 | <u>\$ 1,107,329</u> | <u>7.04%</u> |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | 59,930 | - | 59,930 | 9,976 | (30) | 69,876 | (2,675) | 67,201 | | |
| 6 | Salaries & Wages | 3,001,818 | - | 3,001,818 | - | - | 3,001,818 | - | 3,001,818 | | |
| 7 | Employee Benefits | 845,131 | - | 845,131 | - | - | 845,131 | - | 845,131 | | |
| 8 | Operating Expenses | 1,828,807 | - | 1,828,807 | - | - | 1,828,807 | - | 1,828,807 | | |
| 9 | Maintenance - Other | 490,804 | - | 490,804 | - | - | 490,804 | - | 490,804 | | |
| 10 | Administrative & General Expenses | 1,323,634 | (31,749) | 1,291,885 | - | - | 1,291,885 | - | 1,291,885 | | |
| 11 | Regulatory Expense | 22,515 | (1,724) | 20,791 | - | - | 20,791 | - | 20,791 | | |
| 12 | Miscellaneous | 1,078,979 | (4,227) | 1,074,752 | - | - | 1,074,752 | - | 1,074,752 | | |
| 13 | Depreciation & Amortization Expense | 2,425,163 | - | 2,425,163 | - | - | 2,425,163 | - | 2,425,163 | | |
| 14 | Taxes Other Than Income Tax | 805,737 | - | 805,737 | 1,643 | (1,643) | 805,737 | - | 805,737 | | |
| 15 | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | | |
| 16 | Total Operating Expense | | | | | | | | | | |
| 17 | Before Income Taxes | 11,882,518 | (37,700) | 11,844,818 | 11,619 | (1,673) | 11,854,764 | (2,675) | 11,852,089 | | |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 65,092 | 1,664 | 66,756 | 60,455 | (297) | 126,914 | (16,177) | 110,737 | | |
| 20 | Federal Income Tax | 679,950 | 13,988 | 693,938 | 508,098 | (2,524) | 1,199,512 | (135,947) | 1,063,565 | | |
| 21 | Deferred Taxes and ITCs Net | <u>(95,305)</u> | <u>-</u> | <u>(95,305)</u> | <u>-</u> | <u>-</u> | <u>(95,305)</u> | <u>-</u> | <u>(95,305)</u> | | |
| 22 | Total Operating Expenses | <u>12,532,255</u> | <u>(22,048)</u> | <u>12,510,207</u> | <u>580,172</u> | <u>(4,494)</u> | <u>13,085,885</u> | <u>(154,799)</u> | <u>12,931,086</u> | | |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | <u>\$ 3,205,170</u> | <u>\$ 22,048</u> | <u>\$ 3,227,218</u> | <u>\$ 938,923</u> | <u>\$ 1</u> | <u>\$ 4,166,142</u> | <u>\$ (252,474)</u> | <u>\$ 3,913,668</u> | | |
| 25 | Staff Rate Base | | | | | | | | <u>\$ 46,612,929</u> | (1) | |
| 26 | Staff Overall Rate of Return | | | | | | | | <u>8.40%</u> | (2) | |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.3-CP, Column (D).
(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.
(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Illinois-American Water Company
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
Champaign District

| Line No | Description (A) | Champaign Office | | | | (F) | (G) | (H) | (I) | (J) | Total Operating Statement Adjustments (K) |
|------------|-------------------------------------|---|---|---|---|------|------|------|------|------|---|
| | | Interest Synchron- ization (St. Ex. 6.0 Sch 6.6-CP) | Rate Case Expense (St. Ex 1.0 Sch 1.9-CP) | Charitable Contributions Expense (St. Ex 1.0 Sch 1.10-CP) | Building Lease Expense (St. Ex 1.0 Sch 1.12-CP) | | | | | | |
| | | (B) | (C) | (D) | (E) | | | | | | |
| 1 | Water Sales | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | Other Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| 3 | Total Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | - | - | - | - | - | - | - | - | - | - |
| 6 | Salaries & Wages | - | - | - | - | - | - | - | - | - | - |
| 7 | Employee Benefits | - | - | - | - | - | - | - | - | - | - |
| 8 | Operating Expenses | - | - | - | - | - | - | - | - | - | - |
| 9 | Maintenance - Other | - | - | - | - | - | - | - | - | - | - |
| 10 | Administrative & General Expenses | - | - | - | (31,749) | - | - | - | - | - | (31,749) |
| 11 | Regulatory Expense | - | (1,724) | - | - | - | - | - | - | - | (1,724) |
| 12 | Miscellaneous | - | - | (4,227) | - | - | - | - | - | - | (4,227) |
| 13 | Depreciation & Amortization Expense | - | - | - | - | - | - | - | - | - | - |
| 14 | Taxes Other Than Income Tax | - | - | - | - | - | - | - | - | - | - |
| 15 | | - | - | - | - | - | - | - | - | - | - |
| 16 | Total Operating Expense | | | | | | | | | | |
| 17 | Before Income Taxes | - | (1,724) | (4,227) | (31,749) | - | - | - | - | - | (37,700) |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 157 | 69 | 169 | 1,269 | - | - | - | - | - | 1,664 |
| 20 | Federal Income Tax | 1,321 | 579 | 1,420 | 10,668 | - | - | - | - | - | 13,988 |
| 21 | Deferred Taxes and ITCs Net | - | - | - | - | - | - | - | - | - | - |
| 22 | Total Operating Expenses | 1,478 | (1,076) | (2,638) | (19,812) | - | - | - | - | - | (22,048) |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | \$ (1,478) | \$ 1,076 | \$ 2,638 | \$ 19,812 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 22,048 |

Illinois-American Water Company
Rate Base
For the Test Year Ended December 31, 2001
Champaign District

| Line No | Description (A) | Company | Staff | Staff |
|------------|--------------------------------------|----------------------------|--|-------------------------------|
| | | Pro Forma (B-1a) (B) | Adjustment (St. Ex. 6.0) Sch 6.4-CP (C) | Pro Forma (Col B+C) (D) |
| 1 | Gross Utility Plant at Original Cost | \$ 84,427,320 | \$ - | \$ 84,427,320 |
| 2 | FAS 109 Regulatory Asset (Net) | (1,690,198) | - | (1,690,198) |
| 3 | Reserve for Accum. Depr. and Amort. | <u>(23,108,522)</u> | <u>-</u> | <u>(23,108,522)</u> |
| 4 | Net Plant | 59,628,600 | - | 59,628,600 |
| 5 | | | | |
| 6 | Additions to Rate Base: | | | |
| 7 | Cash Working Capital | 3,112,212 | (6,569) | 3,105,643 |
| 8 | Materials and Supplies | - | (75,042) | (75,042) |
| 9 | Deferred Maintenance | - | - | - |
| 10 | Reengineering Costs | - | - | - |
| 11 | | - | - | - |
| 12 | | - | - | - |
| 13 | | - | - | - |
| 14 | | - | - | - |
| 15 | | - | - | - |
| 16 | | | | |
| 17 | Deductions from Rate Base: | | | |
| 18 | Contributions in Aid of Construction | (11,507,113) | - | (11,507,113) |
| 19 | Accumulated Depr. on Cont. Property | 2,397,590 | - | 2,397,590 |
| 20 | Customer Advances for Construction | (6,163,892) | - | (6,163,892) |
| 21 | Deferred Federal Income Tax | (555,692) | 18,654 | (537,038) |
| 22 | Deferred State Income Tax | (219,871) | 8,072 | (211,799) |
| 23 | Investment Tax Credit - Pre-1971 | (24,020) | - | (24,020) |
| 24 | | - | - | - |
| 25 | | <u>-</u> | <u>-</u> | <u>-</u> |
| 26 | | | | |
| 27 | Rate Base | <u>\$ 46,667,814</u> | <u>\$ (54,885)</u> | <u>\$ 46,612,929</u> |

Illinois-American Water Company
Adjustments to Rate Base
For the Test Year Ended December 31, 2001
Champaign District

| Line | | Cash | Accumulated | | | | | | | | Total |
|------|--------------------------------------|--------------|--------------|--------------|------|------|------|------|------|------|-------------|
| | | Working | Deferred | Materials | | | | | | | Rate Base |
| | | Capital | Income Taxes | & Supplies | | | | | | | |
| | | (St. Ex. 6.0 | (St. Ex. 1.0 | (St. Ex. 2.0 | | | | | | | |
| No | Description | Sch 6.7-CP) | Sch 1.11-CP) | Sch 2.1-CP) | | | | | | | Adjustments |
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | (K) |
| 1 | Gross Utility Plant at Original Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | FAS 109 Regulatory Asset (Net) | - | - | - | - | - | - | - | - | - | - |
| 3 | Reserve for Accum. Depr. and Amort. | - | - | - | - | - | - | - | - | - | - |
| 4 | Net Plant | - | - | - | - | - | - | - | - | - | - |
| 5 | | | | | | | | | | | |
| 6 | Additions to Rate Base: | | | | | | | | | | |
| 7 | Cash Working Capital | (6,569) | - | - | - | - | - | - | - | - | (6,569) |
| 8 | Materials and Supplies | - | | (75,042) | - | - | - | - | - | - | (75,042) |
| 9 | Deferred Maintenance | - | - | - | - | - | - | - | - | - | - |
| 10 | Reengineering Costs | - | - | - | - | - | - | - | - | - | - |
| 11 | | - | - | - | - | - | - | - | - | - | - |
| 12 | | - | - | - | - | - | - | - | - | - | - |
| 13 | | - | - | - | - | - | - | - | - | - | - |
| 14 | | - | - | - | - | - | - | - | - | - | - |
| 15 | | - | - | - | - | - | - | - | - | - | - |
| 16 | | | | | | | | | | | |
| 17 | Deductions from Rate Base: | | | | | | | | | | |
| 18 | Contributions in Aid of Construction | - | - | - | - | - | - | - | - | - | - |
| 19 | Accumulated Depr. on Cont. Property | - | - | - | - | - | - | - | - | - | - |
| 20 | Customer Advances for Construction | - | - | - | - | - | - | - | - | - | - |
| 21 | Deferred Federal Income Tax | - | 18,654 | - | - | - | - | - | - | - | 18,654 |
| 22 | Deferred State Income Tax | - | 8,072 | - | - | - | - | - | - | - | 8,072 |
| 23 | Investment Tax Credit - Pre-1971 | - | - | - | - | - | - | - | - | - | - |
| 24 | | - | - | - | - | - | - | - | - | - | - |
| 25 | | - | - | - | - | - | - | - | - | - | - |
| 26 | | | | | | | | | | | |
| 27 | Rate Base | \$ (6,569) | \$ 26,726 | \$ (75,042) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (54,885) |

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Champaign District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5-CP
Page 1 of 3

| Line No | Description (A) | Effect at Company ROR (B) | Effect Of Staff ROR (C) | Effect of Interest Synch. (D) | Rounding (E) | TOTAL REVENUE EFFECT (F) |
|------------|---|------------------------------------|----------------------------------|--|-----------------|-----------------------------------|
| 1 | Company Proposed Increase | | | | | \$ 1,519,095 (1) |
| 2 | Staff Rate of Return applied to COMPANY RATE BASE | 8.40% (2) | (364,271) | | | (364,271) |
| 3 | Return on Equity | 10.20% (2) | | | | |
| 4 | Staff Adjustments - Total RATE BASE (from Page 2 of 3) | (7,862) | 428 | 1,280 | 1 | (6,153) |
| 5 | | | | | | |
| 6 | Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3) | | | | | (36,846) |
| 7 | | | | | | |
| 8 | Revenue Conversion Factor Adjustment | | | | | (4,493) |
| 9 | | | | | | |
| 10 | Rounding | | | | | (3) |
| 11 | | | | | | |
| 12 | Total Effect of Staff Proposals | | | | | (411,766) |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | Staff Proposed Change to Revenues | | | | | <u>\$ 1,107,329</u> (3) |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | Rounding (Memo Only) | | - | (Memo Only) | | |
| 19 | | | | | | |
| 20 | Staff Rate of Return applied to STAFF RATE BASE (Memo Only) | | <u>\$ (363,843)</u> | (Memo Only) | | |

(1) Source: Company Exhibit 12.0, Schedule C-1, Page 3, Line 1.

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: ICC Staff Ex. 6.0, Schedule 6.1-CP, Column (J).

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Champaign District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5-CP
Page 2 of 3

| Line No | Description (A) | Exhibit (B) | Effect at Company ROR (1) (C) | Effect Of Staff ROR (2) (D) | Effect of Interest Synch. (3) (E) | Rounding (F) | TOTAL REVENUE EFFECT (4) (G) | Line No |
|------------|---|--------------------------------|---|---|---|-----------------|--|------------|
| 1 | Staff Adjustments - RATE BASE | | | | | | | 1 |
| 2 | Cash Working Capital | ICC Staff Ex. 6.0, Sch 6.7-CP | \$ (941) | \$ 51 | \$ 153 | \$ 1 | \$ (736) | 2 |
| 3 | Accumulated Deferred Income Taxes | ICC Staff Ex. 1.0, Sch 1.11-CP | 3,828 | (209) | (623) | - | 2,996 | 3 |
| 4 | Materials and Supplies | ICC Staff Ex. 2.0, Sch 2.1-CP | (10,749) | 586 | 1,751 | (1) | (8,413) | 4 |
| 5 | | | - | - | - | - | - | 5 |
| 6 | | | - | - | - | - | - | 6 |
| 7 | | | - | - | - | - | - | 7 |
| 8 | | | - | - | - | - | - | 8 |
| 9 | | | - | - | - | - | - | 9 |
| 10 | | | - | - | - | - | - | 10 |
| 11 | | | - | - | - | - | - | 11 |
| 12 | | | - | - | - | - | - | 12 |
| 13 | | | - | - | - | - | - | 13 |
| 14 | | | - | - | - | - | - | 14 |
| 15 | | | - | - | - | - | - | 15 |
| 16 | | | - | - | - | - | - | 16 |
| 17 | | | - | - | - | - | - | 17 |
| 18 | | | - | - | - | - | - | 18 |
| 19 | | | - | - | - | - | - | 19 |
| 20 | | | - | - | - | - | - | 20 |
| 21 | | | - | - | - | - | - | 21 |
| 22 | | | - | - | - | - | - | 22 |
| 23 | | | - | - | - | - | - | 23 |
| 24 | | | - | - | - | - | - | 24 |
| 25 | | | - | - | - | - | - | 25 |
| 26 | | | - | - | - | - | - | 26 |
| 27 | | | | | | | | 27 |
| 28 | Subtotal | | (7,862) | 428 | 1,281 | - | (6,153) | 28 |
| 29 | Rounding | | - | - | (1) | 1 | - | 29 |
| 30 | Total Revenue Effect of Rate Base Adjustments | | <u>\$ (7,862)</u> | <u>\$ 428</u> | <u>\$ 1,280</u> | <u>\$ 1</u> | <u>\$ (6,153)</u> | 30 |

(1) Source: Adjustment x Co. ROR x Staff GRCF.

(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.

(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.

(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Champaign District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5-CP
Page 3 of 3

| Line No | Description (A) | Exhibit (B) | TOTAL REVENUE EFFECT (1) (C) | Remove Rate Base Portion (2) (D) | Operating Statement Portion (C+D) (E) | Line No |
|------------|---|--------------------------------|--|--|---|------------|
| 1 | Staff Adjustments - Operating Statement | | | | | 1 |
| 2 | Interest Synchronization | ICC Staff Ex. 6.0, Sch 6.6-CP | \$ 2,384 | \$ (1,280) | \$ 1,104 | 2 |
| 3 | Rate Case Expense | ICC Staff Ex. 1.0, Sch 1.9-CP | (1,736) | - | (1,736) | 3 |
| 4 | Charitable Contribution Expense | ICC Staff Ex. 1.0, Sch 1.10-CP | (4,255) | - | (4,255) | 4 |
| 5 | Champaign Office Building Lease Expense | ICC Staff Ex. 1.0, Sch 1.12-CP | (31,959) | - | (31,959) | 5 |
| 6 | | | - | - | - | 6 |
| 7 | | | - | - | - | 7 |
| 8 | | | - | - | - | 8 |
| 9 | | | - | - | - | 9 |
| 10 | | | - | - | - | 10 |
| 11 | | | - | - | - | 11 |
| 12 | | | - | - | - | 12 |
| 13 | | | - | - | - | 13 |
| 14 | | | - | - | - | 14 |
| 15 | | | - | - | - | 15 |
| 16 | | | - | - | - | 16 |
| 17 | | | - | - | - | 17 |
| 18 | | | - | - | - | 18 |
| 19 | | | - | - | - | 19 |
| 20 | | | - | - | - | 20 |
| 21 | | | - | - | - | 21 |
| 22 | | | - | - | - | 22 |
| 23 | | | - | - | - | 23 |
| 24 | | | - | - | - | 24 |
| 25 | | | - | - | - | 25 |
| 26 | | | - | - | - | 26 |
| 27 | | | | | | 27 |
| 28 | Column Subtotal | | <u>\$ (35,566)</u> | <u>\$ (1,280)</u> | (36,846) | 28 |
| 29 | | | | | | 29 |
| 30 | Rounding | | | | - | 30 |
| 31 | | | | | | 31 |
| 32 | Total Revenue Effect of Operating Statement Adjustments | | | | <u>\$ (36,846)</u> | 32 |

(1) Source: Adjustment x Staff GRCF.

(2) Source: ICC Staff Ex. 6.0, Schedule 6.5, Page 2 of 3, Column (E), Line 30.

Illinois-American Water Company
Interest Synchronization Adjustment
For the Test Year Ended December 31, 2001
Champaign District

| Line No | Description | Amount |
|------------|--|----------------------|
| 1 | Staff Rate Base | \$ 46,612,929 (1) |
| 2 | Weighted Cost of Debt | <u>3.8461%</u> (2) |
| 3 | Synchronized Interest per Staff | 1,792,780 |
| 4 | Company Interest Expense | <u>1,796,711</u> (3) |
| 5 | Increase (Decrease) in Interest Expense (Line 3 - Line 4) | \$ <u>(3,931)</u> |
| 6 | Increase (Decrease) in State Income Tax Expense (Line 5 * 3.998%) | \$ <u>157</u> |
| 7 | Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 35%) | \$ <u>1,321</u> |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.3-CP, Column (D).

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1

(3) Source: Company Exhibit 12.0, Schedule C-3.11, Page 3, Line 9.

Illinois-American Water Company
Adjustment to Cash Working Capital
For the Test Year Ended December 31, 2001
Champaign District

| Line No | Description (A) | Amount (B) | Staff Adjustment (C) | Source (D) |
|------------|--|----------------|----------------------------|---|
| 1 | Total Operating Expenses (Pre Income Tax) | \$ 11,852,089 | | (1) |
| 2 | Less: | | | |
| 3 | Uncollectible Accounts Expense | 67,201 | | (2) |
| 4 | Annual Amortization of Rate Case Expense | 20,791 | | (3) |
| 5 | Depreciation Expense | 2,425,163 | | (4) |
| 6 | Taxes Other Than Income | <u>805,737</u> | | (5) |
| 7 | Operating Expenses Requiring Working Capital | \$ 8,533,197 | | Line 1 minus the sum of Lines 3 through 6 |
| 8 | | <u>18.26%</u> | | (6) |
| 9 | Total Cash Working Capital Per Staff | | \$ 1,558,162 | Line 7 multiplied by Line 8 |
| 10 | Total Cash Working Capital Per Company | | <u>1,564,731</u> | (7) |
| 11 | Adjustment to Cash Working Capital | | <u>\$ (6,569)</u> | Line 9 minus Line 10 |

- (1) Source: ICC Staff Ex 6.0, Schedule 6.1-CP, Column (I), Line 17.
(2) Source: ICC Staff Ex 6.0, Schedule 6.1-CP, Column (I), Line 5.
(3) Source: ICC Staff Ex 6.0, Schedule 6.1-CP, Column (I), Line 11.
(4) Source: ICC Staff Ex 6.0, Schedule 6.1-CP, Column (I), Line 13.
(5) Source: ICC Staff Ex 6.0, Schedule 6.1-CP, Column (I), Line 14.
(6) Source: Company Exhibit No.11.0, Schedule B-5a, Page 3 of 9, Line 8.
(7) Source: Company Exhibit No.11.0, Schedule B-5a, Page 3 of 9, Line 9.

Illinois-American Water Company
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
Pontiac District

| Line No | Description | Company Pro Forma Present (C-2) (B) | Staff Adjustments (St. Ex. 6.0 Sch 6.2-PT) (C) | Staff Pro Forma Present (Cols. B+C) (D) | Company Proposed Increase (C-1) (E) | Staff Gross Revenue Conversion Factor (F) | Proposed Rates with Staff Adjustments (Cols. D+E+F) (G) | Adjustment To Proposed Increase (H) | Staff Pro Forma Proposed (Cols. G+H) (I) | Revenue Change (Col I-D) (J) | % Revenue Change (3) (K) |
|---------|-------------------------------------|---|--|---|---|--|--|---|--|---------------------------------------|-----------------------------------|
| 1 | Water Sales | \$ 2,441,802 | \$ - | \$ 2,441,802 | \$ 131,414 | \$ (642) | \$ 2,572,574 | \$ (66,398) | \$ 2,506,176 | | |
| 2 | Other Operating Revenue | 5,800 | - | 5,800 | - | - | 5,800 | - | 5,800 | | |
| 3 | Total Operating Revenue | 2,447,602 | - | 2,447,602 | 131,414 | (642) | 2,578,374 | (66,398) | 2,511,976 | \$ 64,374 | 2.63% |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | 7,757 | - | 7,757 | 863 | (4) | 8,616 | (436) | 8,180 | | |
| 6 | Salaries & Wages | 542,210 | - | 542,210 | - | - | 542,210 | - | 542,210 | | |
| 7 | Employee Benefits | 89,001 | - | 89,001 | - | - | 89,001 | - | 89,001 | | |
| 8 | Operating Expenses | 110,706 | - | 110,706 | - | - | 110,706 | - | 110,706 | | |
| 9 | Maintenance - Other | 107,270 | - | 107,270 | - | - | 107,270 | - | 107,270 | | |
| 10 | Administrative & General Expenses | 162,327 | (1,682) | 160,645 | - | - | 160,645 | - | 160,645 | | |
| 11 | Regulatory Expense | 2,101 | (161) | 1,940 | - | - | 1,940 | - | 1,940 | | |
| 12 | Miscellaneous | 125,704 | (393) | 125,311 | - | - | 125,311 | - | 125,311 | | |
| 13 | Depreciation & Amortization Expense | 343,310 | - | 343,310 | - | - | 343,310 | - | 343,310 | | |
| 14 | Taxes Other Than Income Tax | 131,753 | - | 131,753 | 142 | (142) | 131,753 | - | 131,753 | | |
| 15 | | - | - | - | - | - | - | - | - | | |
| 16 | Total Operating Expense | | | | | | | | | | |
| 17 | Before Income Taxes | 1,622,139 | (2,236) | 1,619,903 | 1,005 | (146) | 1,620,762 | (436) | 1,620,326 | | |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 18,523 | 107 | 18,630 | 5,247 | (53) | 23,824 | (2,637) | 21,187 | | |
| 20 | Federal Income Tax | 168,070 | 906 | 168,976 | 44,095 | (443) | 212,628 | (22,164) | 190,464 | | |
| 21 | Deferred Taxes and ITCs Net | (15,936) | - | (15,936) | - | - | (15,936) | - | (15,936) | | |
| 22 | Total Operating Expenses | 1,792,796 | (1,223) | 1,791,573 | 50,347 | (642) | 1,841,278 | (25,237) | 1,816,041 | | |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | \$ 654,806 | \$ 1,223 | \$ 656,029 | \$ 81,067 | \$ - | \$ 737,096 | \$ (41,161) | \$ 695,935 | | |
| 25 | Staff Rate Base | | | | | | | | \$ 8,283,265 | (1) | |
| 26 | Staff Overall Rate of Return | | | | | | | | 8.40% | (2) | |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.3-PT, Column (D).

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Illinois-American Water Company
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
Pontiac District

| Line No | Description (A) | Champaign Office | | | | (J) | (G) | (H) | (I) | (J) | Total Operating Statement Adjustments (K) |
|------------|-------------------------------------|--|--|---|---|------|------|------|------|------|---|
| | | Interest Synchron- ization (St. Ex. 6.0 Sch 6.6-PT) (B) | Rate Case Expense (St. Ex. 1.0 Sch 1.9-PT) (C) | Charitable Contributions Expense (St. Ex. 1.0 Sch 1.10-PT) (D) | Building Lease Expense (St. Ex. 1.0 Sch 1.12-PT) (E) | | | | | | |
| 1 | Water Sales | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | Other Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| 3 | Total Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | - | - | - | - | - | - | - | - | - | - |
| 6 | Salaries & Wages | - | - | - | - | - | - | - | - | - | - |
| 7 | Employee Benefits | - | - | - | - | - | - | - | - | - | - |
| 8 | Operating Expenses | - | - | - | - | - | - | - | - | - | - |
| 9 | Maintenance - Other | - | - | - | - | - | - | - | - | - | - |
| 10 | Administrative & General Expenses | - | - | - | (1,682) | - | - | - | - | - | (1,682) |
| 11 | Regulatory Expense | - | (161) | - | - | - | - | - | - | - | (161) |
| 12 | Miscellaneous | - | - | (393) | - | - | - | - | - | - | (393) |
| 13 | Depreciation & Amortization Expense | - | - | - | - | - | - | - | - | - | - |
| 14 | Taxes Other Than Income Tax | - | - | - | - | - | - | - | - | - | - |
| 15 | 0 | - | - | - | - | - | - | - | - | - | - |
| 16 | Total Operating Expense | - | - | - | - | - | - | - | - | - | - |
| 17 | Before Income Taxes | - | (161) | (393) | (1,682) | - | - | - | - | - | (2,236) |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 18 | 6 | 16 | 67 | - | - | - | - | - | 107 |
| 20 | Federal Income Tax | 155 | 54 | 132 | 565 | - | - | - | - | - | 906 |
| 21 | Deferred Taxes and ITCs Net | - | - | - | - | - | - | - | - | - | - |
| 22 | Total Operating Expenses | 173 | (101) | (245) | (1,050) | - | - | - | - | - | (1,223) |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | \$ (173) | \$ 101 | \$ 245 | \$ 1,050 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,223 |

Illinois-American Water Company
Rate Base
For the Test Year Ended December 31, 2001
Pontiac District

| Line No | Description (A) | Company | Staff | Staff |
|------------|--------------------------------------|----------------------------|---|-------------------------------|
| | | Pro Forma (B-1a) (B) | Adjustments (St. Ex. 6.0 Sch 6.4-PT) (C) | Pro Forma (Col B+C) (D) |
| 1 | Gross Utility Plant at Original Cost | \$ 11,765,638 | \$ - | \$ 11,765,638 |
| 2 | FAS 109 Regulatory Asset (Net) | \$ (157,594) | \$ - | \$ (157,594) |
| 3 | Reserve for Accum. Depr. and Amort. | <u>(3,137,206)</u> | <u>-</u> | <u>(3,137,206)</u> |
| 4 | Net Plant | 8,470,838 | - | 8,470,838 |
| 5 | | | | |
| 6 | Additions to Rate Base: | | | |
| 7 | Cash Working Capital | 142,152 | (259) | 141,893 |
| 8 | Materials and Supplies | 60,524 | (6,997) | 53,527 |
| 9 | Deferred Maintenance | 424,445 | - | 424,445 |
| 10 | Reengineering Costs | - | - | - |
| 11 | | - | - | - |
| 12 | | - | - | - |
| 13 | | - | - | - |
| 14 | | - | - | - |
| 15 | | - | - | - |
| 16 | | | | |
| 17 | Deductions from Rate Base: | | | |
| 18 | Contributions in Aid of Construction | (780,366) | - | (780,366) |
| 19 | Accumulated Depr. on Cont. Property | 248,619 | - | 248,619 |
| 20 | Customer Advances for Construction | (205,265) | - | (205,265) |
| 21 | Deferred Federal Income Tax | (51,208) | 2,913 | (48,295) |
| 22 | Deferred State Income Tax | (20,640) | 751 | (19,889) |
| 23 | Investment Tax Credit - Pre-1971 | (2,242) | - | (2,242) |
| 24 | | - | - | - |
| 25 | | <u>-</u> | <u>-</u> | <u>-</u> |
| 26 | | | | |
| 27 | Rate Base | <u>\$ 8,286,857</u> | <u>\$ (3,592)</u> | <u>\$ 8,283,265</u> |

Illinois-American Water Company
Adjustments to Rate Base
For the Test Year Ended December 31, 2001
Pontiac District

| Line No | Description | Cash Working Capital (St. Ex. 6.0 Sch 6.7-PT) | Accumulated Deferred Income Taxes (St. Ex. 1.0 Sch 1.11-PT) | Materials & Supplies (St. Ex. 2.0 Sch 2.1-PT) | (E) | (F) | (G) | (H) | (I) | (J) | Total Rate Base Adjustments (K) |
|------------|--------------------------------------|---|---|--|------|------|------|------|------|------|--|
| (A) | (B) | (C) | (D) | | | | | | | | |
| 1 | Gross Utility Plant at Original Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | FAS 109 Regulatory Asset (Net) | - | - | - | | | | | | | |
| 2 | Reserve for Accum. Depr. and Amort. | - | - | - | - | - | - | - | - | - | - |
| 3 | Net Plant | - | - | - | - | - | - | - | - | - | - |
| 4 | | | | | | | | | | | |
| 5 | Additions to Rate Base: | | | | | | | | | | |
| 6 | Cash Working Capital | (259) | - | - | - | - | - | - | - | - | (259) |
| 7 | Materials and Supplies | - | - | (6,997) | - | - | - | - | - | - | (6,997) |
| 8 | Deferred Maintenance | - | - | - | - | - | - | - | - | - | - |
| 9 | Reengineering Costs | - | - | - | - | - | - | - | - | - | - |
| 10 | | - | - | - | - | - | - | - | - | - | - |
| 11 | | - | - | - | - | - | - | - | - | - | - |
| 12 | | - | - | - | - | - | - | - | - | - | - |
| 13 | | - | - | - | - | - | - | - | - | - | - |
| 14 | | - | - | - | - | - | - | - | - | - | - |
| 15 | | | | | | | | | | | |
| 16 | Deductions from Rate Base: | | | | | | | | | | |
| 17 | Contributions in Aid of Construction | - | - | - | - | - | - | - | - | - | - |
| 18 | Accumulated Depr. on Cont. Property | - | - | - | - | - | - | - | - | - | - |
| 19 | Customer Advances for Construction | - | - | - | - | - | - | - | - | - | - |
| 20 | Deferred Federal Income Tax | - | 2,913 | - | - | - | - | - | - | - | 2,913 |
| 21 | Deferred State Income Tax | - | 751 | - | - | - | - | - | - | - | 751 |
| 22 | Investment Tax Credit - Pre-1971 | - | - | - | - | - | - | - | - | - | - |
| 23 | | - | - | - | - | - | - | - | - | - | - |
| 24 | | - | - | - | - | - | - | - | - | - | - |
| 25 | | | | | | | | | | | |
| 26 | Rate Base | \$ (259) | \$ 3,664 | \$ (6,997) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (3,592) |

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Pontiac District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - PT
Page 1 of 3

| Line No | Description (A) | Effect at Company ROR (B) | Effect Of Staff ROR (C) | Effect of Interest Synch. (D) | Rounding (E) | TOTAL REVENUE EFFECT (F) |
|------------|---|------------------------------------|----------------------------------|--|-----------------|-----------------------------------|
| 1 | Company Proposed Increase | | | | | \$ 131,414 (1) |
| 2 | Staff Rate of Return applied to COMPANY RATE BASE | 8.40% (2) | (63,938) | | | (63,938) |
| 3 | Return on Equity | 10.20% (2) | | | | |
| 4 | Staff Adjustments - Total RATE BASE (from Page 2 of 3) | (515) | 28 | 84 | - | (403) |
| 5 | | | | | | |
| 6 | Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3) | | | | | (2,057) |
| 7 | | | | | | |
| 8 | Revenue Conversion Factor Adjustment | | | | | (642) |
| 9 | | | | | | |
| 10 | Rounding | | | | | - |
| 11 | | | | | | |
| 12 | Total Effect of Staff Proposals | | | | | (67,040) |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | Staff Proposed Change to Revenues | | | | | <u>\$ 64,374 (3)</u> |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | Rounding (Memo Only) | | - | (Memo Only) | | |
| 19 | | | | | | |
| 20 | Staff Rate of Return applied to STAFF RATE BASE (Memo Only) | | <u>\$ (63,910)</u> | (Memo Only) | | |

(1) Source: Company Exhibit 12.0, Schedule C-1, Page 9, Line 1.

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: ICC Staff Ex. 6.0, Schedule 6.1-PT, Column (J).

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Pontiac District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - PT
Page 2 of 3

| Line No | Description (A) | Exhibit (B) | Effect at Company ROR (1) (C) | Effect Of Staff ROR (2) (D) | Effect of Interest Synch. (3) (E) | Rounding (F) | TOTAL REVENUE EFFECT (4) (G) | Line No |
|------------|---|--------------------------------|---|---|---|-----------------|--|------------|
| 1 | Staff Adjustments - RATE BASE | | | | | | | 1 |
| 2 | Cash Working Capital | ICC Staff Ex. 6.0, Sch 6.7-PT | \$ (37) | \$ 2 | \$ 6 | \$ - | \$ (29) | 2 |
| 3 | Accumulated Deferred Income Taxes | ICC Staff Ex. 1.0, Sch 1.11-PT | 525 | (28) | (85) | (1) | 411 | 3 |
| 4 | Materials & Supplies | ICC Staff Ex. 2.0, Sch 2.1-PT | (1,002) | 54 | 163 | - | (785) | 4 |
| 5 | | | - | - | - | - | - | 5 |
| 6 | | | - | - | - | - | - | 6 |
| 7 | | | - | - | - | - | - | 7 |
| 8 | | | - | - | - | - | - | 8 |
| 9 | | | - | - | - | - | - | 9 |
| 10 | | | - | - | - | - | - | 10 |
| 11 | | | - | - | - | - | - | 11 |
| 12 | | | - | - | - | - | - | 12 |
| 13 | | | - | - | - | - | - | 13 |
| 14 | | | - | - | - | - | - | 14 |
| 15 | | | - | - | - | - | - | 15 |
| 16 | | | - | - | - | - | - | 16 |
| 17 | | | - | - | - | - | - | 17 |
| 18 | | | - | - | - | - | - | 18 |
| 19 | | | - | - | - | - | - | 19 |
| 20 | | | - | - | - | - | - | 20 |
| 21 | | | - | - | - | - | - | 21 |
| 22 | | | - | - | - | - | - | 22 |
| 23 | | | - | - | - | - | - | 23 |
| 24 | | | - | - | - | - | - | 24 |
| 25 | | | - | - | - | - | - | 25 |
| 26 | | | - | - | - | - | - | 26 |
| 27 | | | | | | | | 27 |
| 28 | Subtotal | | (514) | 28 | 84 | (1) | (403) | 28 |
| 29 | Rounding | | (1) | - | - | 1 | - | 29 |
| 30 | Total Revenue Effect of Rate Base Adjustments | | <u>\$ (515)</u> | <u>\$ 28</u> | <u>\$ 84</u> | <u>\$ -</u> | <u>\$ (403)</u> | 30 |

(1) Source: Adjustment x Co. ROR x Staff GRCF.

(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.

(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.

(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Pontiac District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - PT
Page 3 of 3

| Line No | Description (A) | Exhibit (B) | TOTAL REVENUE EFFECT (1) (C) | Remove Rate Base Portion (2) (D) | Operating Statement Portion (C+D) (E) | Line No |
|------------|---|--------------------------------|--|--|---|------------|
| 1 | Staff Adjustments - Operating Statement | | | | | 1 |
| 2 | Interest Synchronization | ICC Staff Ex. 6.0, Sch 6.6-PT | \$ 279 | \$ (84) | \$ 195 | 2 |
| 3 | Rate Case Expense | ICC Staff Ex. 1.0, Sch 1.9-PT | (163) | - | (163) | 3 |
| 4 | Charitable Contributions Expense | ICC Staff Ex. 1.0, Sch 1.10-PT | (395) | - | (395) | 4 |
| 5 | Champaign Office Building Lease Expense | ICC Staff Ex. 1.0, Sch 1.12-PT | (1,694) | - | (1,694) | 5 |
| 6 | | | - | - | - | 6 |
| 7 | | | - | - | - | 7 |
| 8 | | | - | - | - | 8 |
| 9 | | | - | - | - | 9 |
| 10 | | | - | - | - | 10 |
| 11 | | | - | - | - | 11 |
| 12 | | | - | - | - | 12 |
| 13 | | | - | - | - | 13 |
| 14 | | | - | - | - | 14 |
| 15 | | | - | - | - | 15 |
| 16 | | | - | - | - | 16 |
| 17 | | | - | - | - | 17 |
| 18 | | | - | - | - | 18 |
| 19 | | | - | - | - | 19 |
| 20 | | | - | - | - | 20 |
| 21 | | | - | - | - | 21 |
| 22 | | | - | - | - | 22 |
| 23 | | | - | - | - | 23 |
| 24 | | | - | - | - | 24 |
| 25 | | | - | - | - | 25 |
| 26 | | | - | - | - | 26 |
| 27 | | | | | | 27 |
| 28 | Column Subtotal | | <u>\$ (1,973)</u> | <u>\$ (84)</u> | (2,057) | 28 |
| 29 | | | | | | 29 |
| 30 | Rounding | | | | - | 30 |
| 31 | | | | | | 31 |
| 32 | Total Revenue Effect of Operating Statement Adjustments | | | | <u>\$ (2,057)</u> | 32 |

(1) Source: Adjustment x Staff GRCF.

(2) Source: ICC Staff Ex. 6.0, Schedule 6.5 , Page 2 of 3, Column (E), Line 30.

Illinois-American Water Company
Interest Synchronization Adjustment
For the Test Year Ended December 31, 2001
Pontiac District

| Line No | Description | Amount |
|------------|--|--------------------|
| 1 | Staff Rate Base | \$ 8,283,265 (1) |
| 2 | Weighted Cost of Debt | <u>3.8461%</u> (2) |
| 3 | Synchronized Interest per Staff | 318,583 |
| 4 | Company Interest Expense | <u>319,044</u> (3) |
| 5 | Increase (Decrease) in Interest Expense (Line 3 - Line 4) | \$ <u>(461)</u> |
| 6 | Increase (Decrease) in State Income Tax Expense (Line 5 * 7.18%) | \$ <u>18</u> |
| 7 | Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 34%) | \$ <u>155</u> |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.3-PT, Column (D).

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: Company Exhibit 12.0, Schedule C-3.11, Page 9, Line 9.

Illinois-American Water Company
Adjustment to Cash Working Capital
For the Test Year Ended December 31, 2001
Pontiac

| Line No | Description (A) | Amount (B) | Staff Adjustment (C) | Source (D) |
|------------|--|---------------|----------------------------|---|
| 1 | Total Operating Expenses (Pre Income Tax) | \$ 1,620,326 | | (1) |
| 2 | Less: | | | |
| 3 | Uncollectible Accounts Expense | 8,180 | | (2) |
| 4 | Annual Amortization of Rate Case Expense | 1,940 | | (3) |
| 5 | Depreciation Expense | 343,310 | | (4) |
| 6 | Taxes Other Than Income | 131,753 | | (5) |
| 7 | Operating Expenses Requiring Working Capital | \$ 1,135,143 | | Line 1 minus the sum of Lines 3 through 6 |
| 8 | 45(lag days)/360 (30 day month year) | <u>12.50%</u> | | |
| 9 | Total Cash Working Capital Per Staff | | \$ 141,893 | Line 7 multiplied by Line 8 |
| 10 | Total Cash Working Capital Per Company | | <u>142,152</u> | (6) |
| 11 | Adjustment to Cash Working Capital | | <u>\$ (259)</u> | Line 9 minus Line 10 |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.1-PT, Column (I), Line 17.

(2) Source: ICC Staff Ex. 6.0, Schedule 6.1-PT, Column (I), Line 5.

(3) Source: ICC Staff Ex. 6.0, Schedule 6.1-PT, Column (I), Line 11.

(4) Source: ICC Staff Ex. 6.0, Schedule 6.1-PT, Column (I), Line 13.

(5) Source: ICC Staff Ex. 6.0, Schedule 6.1-PT, Column (I), Line 14.

(6) Source: Company Exhibit No.11.0, B-5a, Page 9, Line 9.

Illinois-American Water Company
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

| Line No | Description | Company Pro Forma Present (C-2) (B) | Staff Adjustments (St. Ex. 6.0) (C) | Staff Pro Forma Present (Cols. B+C) (D) | Company Proposed Increase (C-1) (E) | Staff Gross Revenue Conversion Factor (F) | Proposed Rates with Staff Adjustments (Cols. D+E+F) (G) | Adjustment To Proposed Increase (H) | Staff Pro Forma Proposed (Cols. G+H) (I) | Revenue Change (Col I-D) (J) | % Revenue Change (3) (K) |
|---------|-------------------------------------|-------------------------------------|-------------------------------------|---|-------------------------------------|---|---|-------------------------------------|--|------------------------------|--------------------------|
| 1 | Water Sales | \$ 68,225,977 | \$ - | \$ 68,225,977 | \$ 6,798,793 | \$ (20,890) | \$ 75,003,880 | \$ (2,178,168) | \$ 72,825,712 | | |
| 2 | Other Operating Revenue | 528,140 | - | 528,140 | - | - | 528,140 | - | 528,140 | | |
| 3 | Total Operating Revenue | 68,754,117 | - | 68,754,117 | 6,798,793 | (20,890) | 75,532,020 | (2,178,168) | 73,353,852 | \$ 4,599,735 | 6.69% |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | 540,605 | - | 540,605 | 44,648 | (138) | 585,115 | (14,304) | 570,811 | | |
| 6 | Salaries & Wages | 11,638,307 | - | 11,638,307 | - | - | 11,638,307 | - | 11,638,307 | | |
| 7 | Employee Benefits | 3,715,672 | - | 3,715,672 | - | - | 3,715,672 | - | 3,715,672 | | |
| 8 | Operating Expenses | 5,720,649 | 415,000 | 6,135,649 | - | - | 6,135,649 | - | 6,135,649 | | |
| 9 | Maintenance - Other | 2,426,642 | (80,173) | 2,346,469 | - | - | 2,346,469 | - | 2,346,469 | | |
| 10 | Administrative & General Expenses | 3,650,174 | - | 3,650,174 | - | - | 3,650,174 | - | 3,650,174 | | |
| 11 | Regulatory Expense | 67,434 | (5,161) | 62,273 | - | - | 62,273 | - | 62,273 | | |
| 12 | Miscellaneous | 3,458,043 | (15,903) | 3,442,140 | - | - | 3,442,140 | - | 3,442,140 | | |
| 13 | Depreciation & Amortization Expense | 12,844,009 | (300,627) | 12,543,382 | - | - | 12,543,382 | - | 12,543,382 | | |
| 14 | Taxes Other Than Income Tax | 4,305,238 | (25,391) | 4,279,847 | 7,353 | (7,353) | 4,279,847 | - | 4,279,847 | | |
| 15 | | - | - | - | - | - | - | - | - | | |
| 16 | Total Operating Expense | | | | | | | | | | |
| 17 | Before Income Taxes | 48,366,773 | (12,255) | 48,354,518 | 52,001 | (7,491) | 48,399,028 | (14,304) | 48,384,724 | | |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 524,732 | 4,386 | 529,118 | 270,665 | (1,453) | 798,330 | (86,516) | 711,814 | | |
| 20 | Federal Income Tax | 4,808,260 | 36,871 | 4,845,131 | 2,274,410 | (11,946) | 7,107,595 | (727,071) | 6,380,524 | | |
| 21 | Deferred Taxes and ITCs Net | (1,093,571) | (77,093) | (1,170,664) | - | - | (1,170,664) | - | (1,170,664) | | |
| 22 | Total Operating Expenses | 52,606,194 | (48,091) | 52,558,103 | 2,597,076 | (20,890) | 55,134,289 | (827,891) | 54,306,398 | | |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | \$ 16,147,923 | \$ 48,091 | \$ 16,196,014 | \$ 4,201,717 | \$ - | \$ 20,397,731 | \$ (1,350,277) | \$ 19,047,454 | | |
| 25 | Staff Rate Base | | | | | | | | \$ 226,860,736 | (1) | |
| 26 | Staff Overall Rate of Return | | | | | | | | 8.40% | (2) | |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.3-S&P, Column (D).

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Illinois-American Water Company
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

| Line No | Description | Interest Synchron-ization (St. Ex 6.0) <u>Sch 6.6-S&P</u> (B) | Rate Case Expense (St. Ex 1.0) <u>Sch 1.9-S&P</u> (C) | Charitable Contributions Expense (St. Ex 1.0) <u>Sch 1.10-S&P</u> (D) | Alton Plant Property Tax Expense (St. Ex 1.0) <u>Sch 1.12-S&P</u> (E) | Reengineering Costs (St. Ex 1.0) <u>Sch 1.13-S&P</u> (F) | Solid Waste Disposal Expense (St. Ex 1.0) <u>Sch 1.14-S&P</u> (G) | Deferred Income Taxes (St. Ex 6.0) <u>Sch 6.8-S&P</u> (H) | Depreciation Expense (St. Ex. 7.0) <u>Sch 7.1-S&P</u> (I) | Utility Plant In Service (St. Ex. 7.0) <u>Sch 7.2-S&P</u> (J) | Total Operating Statement Adjustments (K) |
|---------|-------------------------------------|--|--|--|--|---|--|--|--|--|--|
| 1 | Water Sales | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | Other Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| 3 | Total Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | - | - | - | - | - | - | - | - | - | - |
| 6 | Salaries & Wages | - | - | - | - | - | - | - | - | - | - |
| 7 | Employee Benefits | - | - | - | - | - | - | - | - | - | - |
| 8 | Operating Expenses | - | - | - | - | - | 415,000 | - | - | - | 415,000 |
| 9 | Maintenance - Other | - | - | - | - | (80,173) | - | - | - | - | (80,173) |
| 10 | Administrative & General Expenses | - | - | - | - | - | - | - | - | - | - |
| 11 | Regulatory Expense | - | (5,161) | - | - | - | - | - | - | - | (5,161) |
| 12 | Miscellaneous | - | - | (15,903) | - | - | - | - | - | - | (15,903) |
| 13 | Depreciation & Amortization Expense | - | - | - | - | - | - | - | (205,040) | (95,587) | (300,627) |
| 14 | Taxes Other Than Income Tax | - | - | - | (25,391) | - | - | - | - | - | (25,391) |
| 15 | | - | - | - | - | - | - | - | - | - | - |
| 16 | Total Operating Expense | | | | | | | | | | |
| 17 | Before Income Taxes | - | (5,161) | (15,903) | (25,391) | (80,173) | 415,000 | - | (205,040) | (95,587) | (12,255) |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 3,897 | 206 | 636 | 1,015 | 3,205 | (16,593) | - | 8,198 | 3,822 | 4,386 |
| 20 | Federal Income Tax | 32,751 | 1,734 | 5,344 | 8,532 | 26,939 | (139,442) | - | 68,895 | 32,118 | 36,871 |
| 21 | Deferred Taxes and ITCs Net | - | - | - | - | - | - | (77,093) | - | - | (77,093) |
| 22 | Total Operating Expenses | 36,648 | (3,221) | (9,923) | (15,844) | (50,029) | 258,965 | (77,093) | (127,947) | (59,647) | (48,091) |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | <u>\$ (36,648)</u> | <u>\$ 3,221</u> | <u>\$ 9,923</u> | <u>\$ 15,844</u> | <u>\$ 50,029</u> | <u>\$ (258,965)</u> | <u>\$ 77,093</u> | <u>\$ 127,947</u> | <u>\$ 59,647</u> | <u>\$ 48,091</u> |

Illinois-American Water Company
Rate Base
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

| Line No | Description (A) | Company | Staff | Staff |
|------------|--------------------------------------|----------------------------|---|-------------------------------|
| | | Pro Forma (B-1a) (B) | Adjustment (St. Ex. 6.0) Sch 6.4-S&P (C) | Pro Forma (Col B+C) (D) |
| 1 | Gross Utility Plant at Original Cost | \$ 359,249,857 | \$ (2,720,609) | \$ 356,529,248 |
| 2 | FAS 109 Regulatory Asset (Net) | 4,746,580 | - | 4,746,580 |
| 3 | Reserve for Accum. Depr. and Amort. | <u>(97,093,721)</u> | <u>837,037</u> | <u>(96,256,684)</u> |
| 4 | Net Plant | 266,902,716 | (1,883,572) | 265,019,144 |
| 5 | | | | |
| 6 | Additions to Rate Base: | | | |
| 7 | Cash Working Capital | 3,826,186 | 39,865 | 3,866,051 |
| 8 | Materials and Supplies | 1,356,099 | (155,808) | 1,200,291 |
| 9 | Deferred Maintenance | 763,221 | - | 763,221 |
| 10 | Reengineering Costs | 761,643 | (761,643) | - |
| 11 | | - | - | - |
| 12 | | - | - | - |
| 13 | | - | - | - |
| 14 | | - | - | - |
| 15 | | - | - | - |
| 16 | | | | |
| 17 | Deductions from Rate Base: | | | |
| 18 | Contributions in Aid of Construction | (23,611,785) | - | (23,611,785) |
| 19 | Accumulated Depr. on Cont. Property | 5,022,702 | - | 5,022,702 |
| 20 | Customer Advances for Construction | (6,096,986) | - | (6,096,986) |
| 21 | Deferred Federal Income Tax | (16,017,465) | 386,626 | (15,630,839) |
| 22 | Deferred State Income Tax | (3,671,771) | 72,653 | (3,599,118) |
| 23 | Investment Tax Credit - Pre-1971 | (71,945) | - | (71,945) |
| 24 | | - | - | - |
| 25 | | <u>-</u> | <u>-</u> | <u>-</u> |
| 26 | | | | |
| 27 | Rate Base | <u>\$ 229,162,615</u> | <u>\$ (2,301,879)</u> | <u>\$ 226,860,736</u> |

Illinois-American Water Company
Adjustments to Rate Base
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

| Line No | Description | Cash Working Capital (St. Ex. 6.0 <u>Sch 6.7-S&P</u>) | Accumulated Deferred Income Taxes (St. Ex. 1.0 <u>Sch 1.11-S&P</u>) | Reengineering Costs (St. Ex. 1.0 <u>Sch 1.13-S&P</u>) | Deferred Income Taxes (St. Ex. 6.0 <u>Sch 6.8-S&P</u>) | Materials & Supplies (St. Ex. 2.0 <u>Sch 2.1-S&P</u>) | Depreciation (St. Ex. 7.0 <u>Sch 7.1-S&P</u>) | Utility Plant In Service (St. Ex. 7.0 <u>Sch 7.2-S&P</u>) | (I) | (J) | Total Rate Base Adjustments (K) |
|---------|--------------------------------------|--|--|--|---|--|--|--|------|------|------------------------------------|
| | (A) | (B) | (C) | (D) | | (F) | (G) | (H) | | | |
| 1 | Gross Utility Plant at Original Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (2,720,609) | \$ - | \$ - | \$ (2,720,609) |
| 2 | FAS 109 Regulatory Asset (Net) | - | - | - | - | - | - | - | - | - | - |
| 3 | Reserve for Accum. Depr. and Amort. | - | - | - | - | - | 102,520 | 734,517 | - | - | 837,037 |
| 4 | Net Plant | - | - | - | - | - | 102,520 | (1,986,092) | - | - | (1,883,572) |
| 5 | | | | | | | | | | | |
| 6 | Additions to Rate Base: | | | | | | | | | | |
| 7 | Cash Working Capital | 39,865 | - | - | - | - | - | - | - | - | 39,865 |
| 8 | Materials and Supplies | - | - | - | - | (155,808) | - | - | - | - | (155,808) |
| 9 | Deferred Maintenance | - | - | - | - | - | - | - | - | - | - |
| 10 | Reengineering Costs | - | - | (761,643) | - | - | - | - | - | - | (761,643) |
| 11 | | - | - | - | - | - | - | - | - | - | - |
| 12 | | - | - | - | - | - | - | - | - | - | - |
| 13 | | - | - | - | - | - | - | - | - | - | - |
| 14 | | - | - | - | - | - | - | - | - | - | - |
| 15 | | - | - | - | - | - | - | - | - | - | - |
| 16 | | | | | | | | | | | |
| 17 | Deductions from Rate Base: | | | | | | | | | | |
| 18 | Contributions in Aid of Construction | - | - | - | - | - | - | - | - | - | - |
| 19 | Accumulated Depr. on Cont. Property | - | - | - | - | - | - | - | - | - | - |
| 20 | Customer Advances for Construction | - | - | - | - | - | - | - | - | - | - |
| 21 | Deferred Federal Income Tax | - | 233,169 | - | 34,448 | - | - | 119,009 | - | - | 386,626 |
| 22 | Deferred State Income Tax | - | 41,122 | - | 4,099 | - | - | 27,432 | - | - | 72,653 |
| 23 | Investment Tax Credit - Pre-1971 | - | - | - | - | - | - | - | - | - | - |
| 24 | | - | - | - | - | - | - | - | - | - | - |
| 25 | | - | - | - | - | - | - | - | - | - | - |
| 26 | | | | | | | | | | | |
| 27 | Rate Base | \$ 39,865 | \$ 274,291 | \$ (761,643) | \$ 38,547 | \$ (155,808) | \$ 102,520 | \$ (1,839,651) | \$ - | \$ - | \$ (2,301,879) |

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5-S&P
Page 1 of 3

| Line No | Description (A) | Effect at Company ROR (B) | Effect Of Staff ROR (C) | Effect of Interest Synch. (D) | Rounding (E) | TOTAL REVENUE EFFECT (F) |
|------------|---|------------------------------------|----------------------------------|--|-----------------|-----------------------------------|
| 1 | Company Proposed Increase | | | | | \$ 6,798,793 (1) |
| 2 | Staff Rate of Return applied to COMPANY RATE BASE | 8.40% (2) | (1,788,825) | | | (1,788,825) |
| 3 | Return on Equity | 10.20% (2) | | | | |
| 4 | Staff Adjustments - Total RATE BASE (from Page 2 of 3) | (329,734) | 17,968 | 53,697 | - | (258,069) |
| 5 | | | | | | |
| 6 | Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3) | | | | | (131,274) |
| 7 | | | | | | |
| 8 | Revenue Conversion Factor Adjustment | | | | | (20,890) |
| 9 | | | | | | |
| 10 | Rounding | | | | | - |
| 11 | | | | | | |
| 12 | Total Effect of Staff Proposals | | | | | (2,199,058) |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | Staff Proposed Change to Revenues | | | | | <u>\$ 4,599,735</u> (3) |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | Rounding (Memo Only) | | - | (Memo Only) | | |
| 19 | | | | | | |
| 20 | Staff Rate of Return applied to STAFF RATE BASE (Memo Only) | | <u>\$ (1,770,857)</u> | (Memo Only) | | |

(1) Source: Company Exhibit 12.0, Schedule C-1, Page 7, Line 1.

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: ICC Staff Ex. 6.0, Schedule 6.1-S&P, Column (J).

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5-S&P
Page 2 of 3

| Line No | Description (A) | Exhibit (B) | Effect at Company ROR (1) (C) | Effect Of Staff ROR (2) (D) | Effect of Interest Synch. (3) (E) | Rounding (F) | TOTAL REVENUE EFFECT (4) (G) | Line No |
|------------|---|---------------------------------|---|---|---|-----------------|--|------------|
| 1 | Staff Adjustments - RATE BASE | | | | | | | 1 |
| 2 | Cash Working Capital | ICC Staff Ex. 6.0, Sch 6.7-S&P | \$ 5,710 | \$ (311) | \$ (930) | \$ - | \$ 4,469 | 2 |
| 3 | Accumulated Deferred Income Taxes | ICC Staff Ex. 1.0, Sch 1.11-S&P | 39,291 | (2,141) | (6,399) | - | 30,751 | 3 |
| 4 | Reengineering Costs | ICC Staff Ex. 1.0, Sch 1.13-S&P | (109,102) | 5,945 | 17,767 | - | (85,390) | 4 |
| 5 | Deferred Income Taxes | ICC Staff Ex. 6.0, Sch 6.8-S&P | 5,522 | (301) | (899) | - | 4,322 | 5 |
| 6 | Materials and Supplies | ICC Staff Ex. 2.0, Sch 2.1-S&P | (22,319) | 1,216 | 3,635 | - | (17,468) | 6 |
| 7 | Depreciation | ICC Staff Ex. 7.0, Sch 7.1-S&P | 14,686 | (800) | (2,392) | - | 11,494 | 7 |
| 8 | Utility Plant In Service | ICC Staff Ex. 7.0, Sch 7.2-S&P | (263,522) | 14,360 | 42,914 | - | (206,248) | 8 |
| 9 | | | - | - | - | - | - | 9 |
| 10 | | | - | - | - | - | - | 10 |
| 11 | | | - | - | - | - | - | 11 |
| 12 | | | - | - | - | - | - | 12 |
| 13 | | | - | - | - | - | - | 13 |
| 14 | | | - | - | - | - | - | 14 |
| 15 | | | - | - | - | - | - | 15 |
| 16 | | | - | - | - | - | - | 16 |
| 17 | | | - | - | - | - | - | 17 |
| 18 | | | - | - | - | - | - | 18 |
| 19 | | | - | - | - | - | - | 19 |
| 20 | | | - | - | - | - | - | 20 |
| 21 | | | - | - | - | - | - | 21 |
| 22 | | | - | - | - | - | - | 22 |
| 23 | | | - | - | - | - | - | 23 |
| 24 | | | - | - | - | - | - | 24 |
| 25 | | | - | - | - | - | - | 25 |
| 26 | | | - | - | - | - | - | 26 |
| 27 | | | | | | | | 27 |
| 28 | Subtotal | | (329,734) | 17,968 | 53,696 | - | (258,070) | 28 |
| 29 | Rounding | | - | - | 1 | - | 1 | 29 |
| 30 | Total Revenue Effect of Rate Base Adjustments | | <u>\$ (329,734)</u> | <u>\$ 17,968</u> | <u>\$ 53,697</u> | <u>\$ -</u> | <u>\$ (258,069)</u> | 30 |

(1) Source: Adjustment x Co. ROR x Staff GRCF.

(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.

(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.

(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5-S&P
Page 3 of 3

| Line No | Description (A) | Exhibit (B) | TOTAL REVENUE EFFECT (1) (C) | Remove Rate Base Portion (2) (D) | Operating Statement Portion (C+D) (E) | Line No |
|------------|---|----------------------------------|--|--|---|------------|
| 1 | Staff Adjustments - Operating Statement | | | | | 1 |
| 2 | Interest Synchronization | ICC Staff Ex. 6.0, Sch. 6.6-S&P | \$ 59,118 | \$ (53,697) | \$ 5,421 | 2 |
| 3 | Rate Case Expense | ICC Staff Ex. 1.0, Sch. 1.9-S&P | (5,196) | - | (5,196) | 3 |
| 4 | Charitable Contribution Expense | ICC Staff Ex. 1.0, Sch. 1.10-S&P | (16,007) | - | (16,007) | 4 |
| 5 | Alton Plant Property Tax Expense | ICC Staff Ex. 1.0, Sch. 1.12-S&P | (25,558) | - | (25,558) | 5 |
| 6 | Reengineering Costs | ICC Staff Ex. 1.0, Sch. 1.13-S&P | (80,703) | - | (80,703) | 6 |
| 7 | Solid Waste Disposal Expense | ICC Staff Ex. 1.0, Sch. 1.14-S&P | 417,743 | - | 417,743 | 7 |
| 8 | Deferred Taxes | ICC Staff Ex. 6.0, Sch. 6.8-S&P | (124,361) | - | (124,361) | 8 |
| 9 | Depreciation Expense | ICC Staff Ex. 7.0, Sch. 7.1-S&P | (206,395) | - | (206,395) | 9 |
| 10 | Utility Plant in Service | ICC Staff Ex. 7.0, Sch. 7.2-S&P | (96,218) | - | (96,218) | 10 |
| 11 | | | - | - | - | 11 |
| 12 | | | - | - | - | 12 |
| 13 | | | - | - | - | 13 |
| 14 | | | - | - | - | 14 |
| 15 | | | - | - | - | 15 |
| 16 | | | - | - | - | 16 |
| 17 | | | - | - | - | 17 |
| 18 | | | - | - | - | 18 |
| 19 | | | - | - | - | 19 |
| 20 | | | - | - | - | 20 |
| 21 | | | - | - | - | 21 |
| 22 | | | - | - | - | 22 |
| 23 | | | - | - | - | 23 |
| 24 | | | - | - | - | 24 |
| 25 | | | - | - | - | 25 |
| 26 | | | - | - | - | 26 |
| 27 | | | | | | 27 |
| 28 | Column Subtotal | | <u>\$ (77,577)</u> | <u>\$ (53,697)</u> | (131,274) | 28 |
| 29 | | | | | | 29 |
| 30 | Rounding | | | | - | 30 |
| 31 | | | | | | 31 |
| 32 | Total Revenue Effect of Operating Statement Adjustments | | | | <u>\$ (131,274)</u> | 32 |

(1) Source: Adjustment x Staff GRCF.

(2) Source: ICC Staff Ex. 6.0, Schedule 6.5-S&P, Page 2 of 3, Column (D), Line 30.

Illinois-American Water Company
Interest Synchronization Adjustment
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

| Line No | Description | Amount |
|------------|--|----------------------|
| 1 | Staff Rate Base | ##### (1) |
| 2 | Weighted Cost of Debt | <u>3.8461%</u> (2) |
| 3 | Synchronized Interest per Staff | 8,725,291 |
| 4 | Company Interest Expense | <u>8,822,761</u> (3) |
| 5 | Increase (Decrease) in Interest Expense (Line 3 - Line 4) | <u>\$ (97,470)</u> |
| 6 | Increase (Decrease) in State Income Tax Expense (Line 5 * 3.998%) | <u>\$ 3,897</u> |
| 7 | Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 35%) | <u>\$ 32,751</u> |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.3-S&P, Column (D).

(2) Source: ICC Staff Exhibit 8.0, Schedule 8.1.

(3) Source: Company Schedule No. C-3.11, Page 7 of 9.

Illinois-American Water Company
Adjustment to Cash Working Capital
For the Test Year Ended December 31, 2001
Southern and Peoria Districts

| Line No | Description (A) | Amount (B) | Staff Adjustment (C) | Source (D) |
|------------|--|------------------|----------------------------|---|
| 1 | Total Operating Expenses (Pre Income Tax) | \$ 48,384,724 | | (1) |
| 2 | Less: | | | |
| 3 | Uncollectible Accounts Expense | 570,811 | | (2) |
| 4 | Annual Amortization of Rate Case Expense | 62,273 | | (3) |
| 5 | Depreciation Expense | 12,543,382 | | (4) |
| 6 | Taxes Other Than Income | <u>4,279,847</u> | | (5) |
| 7 | Operating Expenses Requiring Working Capital | \$ 30,928,411 | | Line 1 minus the sum of Lines 3 through 6 |
| 8 | 45(lag days)/360 (30 day month year) | <u>12.50%</u> | | |
| 9 | Total Cash Working Capital Per Staff | | \$ 3,866,051 | Line 7 multiplied by Line 8 |
| 10 | Total Cash Working Capital Per Company | | <u>3,826,186</u> | (6) |
| 11 | Adjustment to Cash Working Capital | | <u>\$ 39,865</u> | Line 9 minus Line 10 |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.1-S&P, Column (I), Line 17.

(2) Source: ICC Staff Ex. 6.0, Schedule 6.1-S&P, Column (I), Line 5.

(3) Source: ICC Staff Ex. 6.0, Schedule 6.1-S&P, Column (I), Line 11.

(4) Source: ICC Staff Ex. 6.0, Schedule 6.1-S&P, Column (I), Line 13.

(5) Source: ICC Staff Ex. 6.0, Schedule 6.1-S&P, Column (I), Line 14.

(6) Source: Company Exhibit No.11.0, Schedule B-5a, Page 7, Line 9.

Illinois-American Water Company
Adjustment to Deferred Income Taxes for Change in Depreciation Rates
For the Test Year Ended December 31, 2001
Southern and Peoria

| Line No | Description (A) | Amount (B) | Source (C) |
|------------|---|---------------------|--|
| 1 | Average Deferred Federal Income Taxes Per Staff | \$ (15,749,849) | Staff Ex. 6.0, Schedule 6.8-S&P, Page 2, Line 3. |
| 2 | Average Deferred Federal Income Taxes Per Staff | <u>(15,784,296)</u> | Staff Ex. 1.0, Schedule 1.11-S&P, Page 1, Line 1. |
| 3 | Staff Adjustment to Average Deferred Federal Income Taxes | <u>\$ 34,448</u> | Line 1 minus Line 2. |
| 4 | | | |
| 5 | Average Deferred State Income Taxes Per Staff | \$ (3,626,550) | Staff Ex. 6.0, Schedule 6.8-S&P, Page 2, Line 11. |
| 6 | Average Deferred State Income Taxes Per Staff | <u>(3,630,649)</u> | Staff Ex. 1.0, Schedule 1.11-S&P, Page 1, Line 18. |
| 7 | Staff Adjustment to Average Deferred State Income Taxes | <u>\$ 4,099</u> | Line 5 minus Line 16. |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| 11 | Deferred Federal Income Tax Expense Per Staff | \$ 820,467 | Staff Ex. 6.0, Schedule 6.8-S&P, Page 2, Line 3. |
| 12 | Deferred Federal Income Tax Expense Per Company | <u>889,362</u> | Company Filing Schedule No. C-2, Page 7, Line 32. |
| 13 | Staff Adjustment to Deferred Federal Income Taxes | <u>\$ (68,895)</u> | Line 11 minus Line 12. |
| 14 | | | |
| 15 | Deferred State Income Tax Expense Per Staff | \$ 150,728 | Staff Ex. 6.0, Schedule 6.8-S&P, Page 2, Line 6. |
| 16 | Deferred State Income Tax Expense Per Company | <u>158,926</u> | Company Filing Schedule No. C-2, Page 7, Line 33. |
| 17 | Staff Adjustment to Deferred State Income Taxes | <u>\$ (8,198)</u> | Line 11 minus Line 12. |

Illinois-American Water Company
 Adjustment to Deferred Income Taxes
 For the Test Year Ended December 31, 2001
 Southern and Peoria

| Line No | Description (A) | Amount (B) | Source (C) |
|------------|--|------------------------|--|
| 1 | Deferred Federal Income Tax 12/31/00 Per Company | \$ (16,192,703) | Company Schedule No. B-1a, Page 7, Line 16. |
| 2 | Deferred Federal Income Tax 12/31/01 Per Staff | <u>(15,306,994)</u> | Line 7 |
| 3 | Staff Average Federal Income Tax 2001 | <u>\$ (15,749,849)</u> | Line 1 plus Line 2 Divided by 2. |
| 4 | | | |
| 5 | Deferred Federal Income Tax 12/31/01 Per Staff | \$ (15,375,889) | Staff Ex. 1.0, Schedule 1.11-S&P, Page 2, Line 6. |
| 6 | Staff Adjustment to Deferred Federal Income Tax 12/31/00 | <u>(68,895)</u> | Staff Ex. 6.0, Schedule 6.8-S&P, Page 1, Line 13. |
| 7 | Deferred Federal Income Tax 12/31/01 Per Staff | <u>\$ (15,306,994)</u> | Line 5 minus Line 6. |
| 8 | | | |
| 9 | Deferred State Income Tax 12/31/00 Per Company | \$ (3,678,747) | Company Schedule No. B-1a, Page 7, Line 16. |
| 10 | Deferred State Income Tax 12/31/01 Per Staff | <u>(3,574,353)</u> | Line 15 |
| 11 | Staff Average State Income Tax 2001 | <u>\$ (3,626,550)</u> | Line 9 plus Line 10 Divided by 2. |
| 12 | | | |
| 13 | Deferred State Income Tax 12/31/01 Per Company | \$ (3,582,551) | Staff Ex. 1.0, Schedule 1.11-S&P, Page 2, Line 15. |
| 14 | Staff Adjustment to Deferred State Income Tax 12/31/01 | <u>(8,198)</u> | Staff Ex. 6.0, Schedule 6.8-S&P, Page 1, Line 16. |
| 15 | Deferred State Income Tax 12/31/01 Per Staff | <u>\$ (3,574,353)</u> | Line 13 minus Line 14. |

Illinois-American Water Company
Adjustment to Deferred Income Taxes
For the Test Year Ended December 31, 2001
Southern and Peoria

| Line No | Description (A) | Amount (B) | Source (C) |
|------------|---|-------------------|---|
| 1 | Deferred Federal Income Tax Expense Per Company | \$ 889,362 | Company Schedule No. C-2, Page 7, Line 32. |
| 2 | Adjustment to Deferred Income Tax Expense | <u>68,895</u> | Staff Ex. 6.0, Schedule 6.2-S&P, Page 2, Column N, Line 20. |
| 3 | Deferred Federal Income Tax Expense Per Staff | <u>\$ 820,467</u> | Line 1 minus 2. |
| 4 | | | |
| 5 | Deferred State Income Tax Expense Per Company | \$ 158,926 | Company Schedule No. C-2, Page 7, Line 33. |
| 6 | Adjustment to Deferred Income Tax Expense | <u>8,198</u> | Staff Ex. 6.0, Schedule 6.2-S&P, Page 2, Column N, Line 19. |
| 7 | Deferred State Income Tax Expense Per Staff | <u>\$ 150,728</u> | Line 5 minus Line 6. |

Illinois-American Water Company
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
Sterling District

| Line No | Description | Company Pro Forma Present (C-2) (B) | Staff Adjustments (St. Ex. 6.0) (Sch 6.2-STG) (C) | Staff Pro Forma Present (Cols. B+C) (D) | Company Proposed Increase (C-1) (E) | Staff Gross Revenue Conversion Factor (F) | Proposed Rates with Staff Adjustments (Cols. D+E+F) (G) | Adjustment To Proposed Increase (H) | Staff Pro Forma Proposed (Cols. G+H) (I) | Revenue Change (Col I-D) (J) | % Revenue Change (3) (K) |
|---------|-------------------------------------|--|--|--|--|--|--|--|---|---------------------------------|-----------------------------|
| 1 | Water Sales | \$ 2,359,140 | \$ - | \$ 2,359,140 | \$ 221,740 | \$ (619) | \$ 2,580,261 | \$ (52,159) | \$ 2,528,102 | | |
| 2 | Other Operating Revenue | 11,260 | - | 11,260 | - | - | 11,260 | - | 11,260 | | |
| 3 | Total Operating Revenue | 2,370,400 | - | 2,370,400 | 221,740 | (619) | 2,591,521 | (52,159) | 2,539,362 | \$ 168,962 | 7.13% |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | 4,942 | - | 4,942 | 1,456 | (4) | 6,394 | (343) | 6,051 | | |
| 6 | Salaries & Wages | 533,625 | - | 533,625 | - | - | 533,625 | - | 533,625 | | |
| 7 | Employee Benefits | 127,044 | - | 127,044 | - | - | 127,044 | - | 127,044 | | |
| 8 | Operating Expenses | 153,386 | - | 153,386 | - | - | 153,386 | - | 153,386 | | |
| 9 | Maintenance - Other | 105,774 | - | 105,774 | - | - | 105,774 | - | 105,774 | | |
| 10 | Administrative & General Expenses | 247,459 | (2,634) | 244,825 | - | - | 244,825 | - | 244,825 | | |
| 11 | Regulatory Expense | 3,288 | (252) | 3,036 | - | - | 3,036 | - | 3,036 | | |
| 12 | Miscellaneous | 214,476 | (410) | 214,066 | - | - | 214,066 | - | 214,066 | | |
| 13 | Depreciation & Amortization Expense | 319,556 | - | 319,556 | - | - | 319,556 | - | 319,556 | | |
| 14 | Taxes Other Than Income Tax | 154,534 | - | 154,534 | 240 | (240) | 154,534 | - | 154,534 | | |
| 15 | | - | - | - | - | - | - | - | - | | |
| 16 | Total Operating Expense | | | | | | | | | | |
| 17 | Before Income Taxes | 1,864,084 | (3,296) | 1,860,788 | 1,696 | (244) | 1,862,240 | (343) | 1,861,897 | | |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 8,507 | 156 | 8,663 | 8,823 | (40) | 17,446 | (2,072) | 15,374 | | |
| 20 | Federal Income Tax | 90,910 | 1,315 | 92,225 | 74,145 | (335) | 166,035 | (17,410) | 148,625 | | |
| 21 | Deferred Taxes and ITCs Net | (7,323) | - | (7,323) | - | - | (7,323) | - | (7,323) | | |
| 22 | Total Operating Expenses | 1,956,178 | (1,825) | 1,954,353 | 84,664 | (619) | 2,038,398 | (19,825) | 2,018,573 | | |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | \$ 414,222 | \$ 1,825 | \$ 416,047 | \$ 137,076 | \$ - | \$ 553,123 | \$ (32,334) | \$ 520,789 | | |
| 25 | Staff Rate Base | | | | | | | | \$ 6,198,619 | (1) | |
| 26 | Staff Overall Rate of Return | | | | | | | | 8.40% | (2) | |

(1) Source: ICC Staff Ex 6.0, Schedule 6.3-STG, Column (D).
(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.
(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Illinois-American Water Company
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
Sterling District

| | | Champaign Office | | | | | | | | | | |
|------------|-------------------------------------|--|--|---|---|------|------|------|------|------|------|--|
| Line No | Description | Interest Synchron- ization (St. Ex. 6.0 Sch 6.6-STG) | Rate Case Expense (St. Ex. 1.0 Sch 1.9-STG) | Charitable Contributions Expense (St. Ex. 1.0 Sch 1.10-STG) | Building Lease Expense (St. Ex. 1.0 Sch 1.12-STG) | | | | | | | Total Operating Statement Adjustments |
| | | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | (K) | |
| | | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | (K) |
| 1 | Water Sales | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | Other Operating Revenue | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Total Operating Revenue | - | - | - | - | - | - | - | - | - | - | - |
| 4 | | | | | | | | | | | | |
| 5 | Uncollectible Accounts | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Salaries & Wages | - | - | - | - | - | - | - | - | - | - | - |
| 7 | Employee Benefits | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Operating Expenses | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Maintenance - Other | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Administrative & General Expenses | - | - | - | (2,634) | - | - | - | - | - | - | (2,634) |
| 11 | Regulatory Expense | - | (252) | - | - | - | - | - | - | - | - | (252) |
| 12 | Miscellaneous | - | - | (410) | - | - | - | - | - | - | - | (410) |
| 13 | Depreciation & Amortization Expense | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Taxes Other Than Income Tax | - | - | - | - | - | - | - | - | - | - | - |
| 15 | 0 | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Total Operating Expense | | | | | | | | | | | |
| 17 | Before Income Taxes | - | (252) | (410) | (2,634) | - | - | - | - | - | - | (3,296) |
| 18 | | | | | | | | | | | | |
| 19 | State Income Tax | 25 | 10 | 16 | 105 | - | - | - | - | - | - | 156 |
| 20 | Federal Income Tax | 207 | 85 | 138 | 885 | - | - | - | - | - | - | 1,315 |
| 21 | Deferred Taxes and ITCs Net | - | - | - | - | - | - | - | - | - | - | - |
| 22 | Total Operating Expenses | 232 | (157) | (256) | (1,644) | - | - | - | - | - | - | (1,825) |
| 23 | | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | \$ (232) | \$ 157 | \$ 256 | \$ 1,644 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,825 |

Illinois-American Water Company
Rate Base
For the Test Year Ended December 31, 2001
Sterling District

| Line No | Description (A) | Company | Staff | Staff |
|------------|--------------------------------------|----------------------------|--|-------------------------------|
| | | Pro Forma (B-1a) (B) | Adjustments (St. Ex. 6.0) (Sch 6.4-STG) (C) | Pro Forma (Col B+C) (D) |
| 1 | Gross Utility Plant at Original Cost | \$ 10,367,857 | \$ - | \$ 10,367,857 |
| 2 | FAS 109 Regulatory Asset (Net) | \$ (246,769) | \$ - | \$ (246,769) |
| 3 | Reserve for Accum. Depr. and Amort. | <u>(2,704,863)</u> | <u>-</u> | <u>(2,704,863)</u> |
| 4 | Net Plant | 7,416,225 | - | 7,416,225 |
| 5 | | | | |
| 6 | Additions to Rate Base: | | | |
| 7 | Cash Working Capital | 172,721 | (381) | 172,340 |
| 8 | Materials and Supplies | 94,769 | (10,956) | 83,813 |
| 9 | Deferred Maintenance | 156,672 | - | 156,672 |
| 10 | Reengineering Costs | - | - | - |
| 11 | | - | - | - |
| 12 | | - | - | - |
| 13 | | - | - | - |
| 14 | | - | - | - |
| 15 | | - | - | - |
| 16 | | | | |
| 17 | Deductions from Rate Base: | | | |
| 18 | Contributions in Aid of Construction | (1,050,559) | - | (1,050,559) |
| 19 | Accumulated Depr. on Cont. Property | 204,048 | - | 204,048 |
| 20 | Customer Advances for Construction | (667,363) | - | (667,363) |
| 21 | Deferred Federal Income Tax | (82,447) | 1,189 | (81,258) |
| 22 | Deferred State Income Tax | (32,245) | 454 | (31,791) |
| 23 | Investment Tax Credit - Pre-1971 | (3,508) | - | (3,508) |
| 24 | | - | - | - |
| 25 | | <u>-</u> | <u>-</u> | <u>-</u> |
| 26 | | | | |
| 27 | Rate Base | <u>\$ 6,208,313</u> | <u>\$ (9,694)</u> | <u>\$ 6,198,619</u> |

Illinois-American Water Company
Adjustments to Rate Base
For the Test Year Ended December 31, 2001
Sterling District

| Line No | Description | Cash Working Capital (St. Ex. 6.0 Sch 6.7-STG) | Accumulated Deferred Income Taxes (St. Ex. 1.0 Sch 1.11-STG) | Materials & Supplies (St. Ex. 2.0 Sch 2.1-STG) | (E) | (F) | (G) | (H) | (I) | (J) | Total Rate Base Adjustments (K) |
|------------|--------------------------------------|--|--|---|------|------|------|------|------|------|--|
| (A) | (B) | (C) | (D) | | | | | | | | |
| 1 | Gross Utility Plant at Original Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | FAS 109 Regulatory Asset (Net) | | | | | | | | | | |
| 3 | Reserve for Accum. Depr. and Amort. | - | - | - | - | - | - | - | - | - | - |
| 4 | Net Plant | - | - | - | - | - | - | - | - | - | - |
| 5 | | | | | | | | | | | |
| 6 | Additions to Rate Base: | | | | | | | | | | |
| 7 | Cash Working Capital | (381) | - | - | - | - | - | - | - | - | (381) |
| 8 | Materials and Supplies | - | - | (10,956) | - | - | - | - | - | - | (10,956) |
| 9 | Deferred Maintenance | - | - | - | - | - | - | - | - | - | - |
| 10 | Reengineering Costs | - | - | - | - | - | - | - | - | - | - |
| 11 | | - | - | - | - | - | - | - | - | - | - |
| 12 | | - | - | - | - | - | - | - | - | - | - |
| 13 | | - | - | - | - | - | - | - | - | - | - |
| 14 | | - | - | - | - | - | - | - | - | - | - |
| 15 | | - | - | - | - | - | - | - | - | - | - |
| 16 | | | | | | | | | | | |
| 17 | Deductions from Rate Base: | | | | | | | | | | |
| 18 | Contributions in Aid of Construction | - | - | - | - | - | - | - | - | - | - |
| 19 | Accumulated Depr. on Cont. Property | - | - | - | - | - | - | - | - | - | - |
| 20 | Customer Advances for Construction | - | - | - | - | - | - | - | - | - | - |
| 21 | Deferred Federal Income Tax | - | 1,189 | - | - | - | - | - | - | - | 1,189 |
| 22 | Deferred State Income Tax | - | 454 | - | - | - | - | - | - | - | 454 |
| 23 | Investment Tax Credit - Pre-1971 | - | - | - | - | - | - | - | - | - | - |
| 24 | | - | - | - | - | - | - | - | - | - | - |
| 25 | | - | - | - | - | - | - | - | - | - | - |
| 26 | | | | | | | | | | | |
| 27 | Rate Base | \$ (381) | \$ 1,643 | \$ (10,956) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (9,694) |

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Sterling District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - STG
Page 1 of 3

| Line No | Description (A) | Effect at Company ROR (B) | Effect Of Staff ROR (C) | Effect of Interest Synch. (D) | Rounding (E) | TOTAL REVENUE EFFECT (F) |
|------------|---|------------------------------------|----------------------------------|--|-----------------|-----------------------------------|
| 1 | Company Proposed Increase | | | | | \$ 221,740 (1) |
| 2 | Staff Rate of Return applied to COMPANY RATE BASE | 8.40% (2) | (47,901) | | | (47,901) |
| 3 | Return on Equity | 10.20% (2) | | | | |
| 4 | Staff Adjustments - Total RATE BASE (from Page 2 of 3) | (1,389) | 75 | 226 | - | (1,088) |
| 5 | | | | | | |
| 6 | Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3) | | | | | (3,170) |
| 7 | | | | | | |
| 8 | Revenue Conversion Factor Adjustment | | | | | (619) |
| 9 | | | | | | |
| 10 | Rounding | | | | | - |
| 11 | | | | | | |
| 12 | Total Effect of Staff Proposals | | | | | (52,778) |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | Staff Proposed Change to Revenues | | | | | <u>\$ 168,962</u> (3) |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | Rounding (Memo Only) | | - | (Memo Only) | | |
| 19 | | | | | | |
| 20 | Staff Rate of Return applied to STAFF RATE BASE (Memo Only) | | <u>\$ (47,826)</u> | (Memo Only) | | |

(1) Source: Company Exhibit 12.0, Schedule C-1, Page 4, Line 1.

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: ICC Staff Ex. 6.0, Schedule 6.1-STG, Column (J).

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Sterling District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - STG
Page 2 of 3

| Line No | Description (A) | Exhibit (B) | Effect at Company ROR (1) (C) | Effect Of Staff ROR (2) (D) | Effect of Interest Synch. (3) (E) | Rounding (F) | TOTAL REVENUE EFFECT (4) (G) | Line No |
|------------|---|--------------------------------|---|---|---|-----------------|--|------------|
| 1 | Staff Adjustments - RATE BASE | | | | | | | 1 |
| 2 | Cash Working Capitol | ICC Staff Ex. 6.0, Sch 6.7-STG | \$ (55) | \$ 3 | \$ 9 | \$ - | \$ (43) | 2 |
| 3 | Accumulated Deferred Income Taxes | ICC Staff Ex 1.0, Sch 1.11-STG | 235 | (13) | (38) | - | 184 | 3 |
| 4 | Materials & Supplies | ICC Staff Ex. 2.0, Sch 2.1-STG | (1,569) | 85 | 256 | (1) | (1,229) | 4 |
| 5 | | | - | - | - | - | - | 5 |
| 6 | | | - | - | - | - | - | 6 |
| 7 | | | - | - | - | - | - | 7 |
| 8 | | | - | - | - | - | - | 8 |
| 9 | | | - | - | - | - | - | 9 |
| 10 | | | - | - | - | - | - | 10 |
| 11 | | | - | - | - | - | - | 11 |
| 12 | | | - | - | - | - | - | 12 |
| 13 | | | - | - | - | - | - | 13 |
| 14 | | | - | - | - | - | - | 14 |
| 15 | | | - | - | - | - | - | 15 |
| 16 | | | - | - | - | - | - | 16 |
| 17 | | | - | - | - | - | - | 17 |
| 18 | | | - | - | - | - | - | 18 |
| 19 | | | - | - | - | - | - | 19 |
| 20 | | | - | - | - | - | - | 20 |
| 21 | | | - | - | - | - | - | 21 |
| 22 | | | - | - | - | - | - | 22 |
| 23 | | | - | - | - | - | - | 23 |
| 24 | | | - | - | - | - | - | 24 |
| 25 | | | - | - | - | - | - | 25 |
| 26 | | | - | - | - | - | - | 26 |
| 27 | | | | | | | | 27 |
| 28 | Subtotal | | (1,389) | 75 | 227 | (1) | (1,088) | 28 |
| 29 | Rounding | | - | - | (1) | 1 | - | 29 |
| 30 | | | | | | | | 30 |
| 30 | Total Revenue Effect of Rate Base Adjustments | | <u>\$ (1,389)</u> | <u>\$ 75</u> | <u>\$ 226</u> | <u>\$ -</u> | <u>\$ (1,088)</u> | 30 |

(1) Source: Adjustment x Co. ROR x Staff GRCF.

(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.

(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.

(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Sterling District

Docket No. 00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - STG
Page 3 of 3

| Line No | Description (A) | Exhibit (B) | TOTAL REVENUE EFFECT (1) (C) | Remove Rate Base Portion (2) (D) | Operating Statement Portion (C+D) (E) | Line No |
|------------|---|---------------------------------|--|--|---|------------|
| 1 | Staff Adjustments - Operating Statement | | | | | 1 |
| 2 | Interest Synchronization | ICC Staff Ex. 6.0, Sch 6.6-STG | \$ 374 | \$ (226) | \$ 148 | 2 |
| 3 | Rate Case Expense | ICC Staff Ex. 1.0, Sch 1.9-STG | (253) | - | (253) | 3 |
| 4 | Charitable Contributions Expense | ICC Staff Ex. 1.0, Sch 1.10-STG | (413) | - | (413) | 4 |
| 5 | Champaign Office Building Lease Expense | ICC Staff Ex. 1.0, Sch 1.12-STG | (2,652) | - | (2,652) | 5 |
| 6 | | | - | - | - | 6 |
| 7 | | | - | - | - | 7 |
| 8 | | | - | - | - | 8 |
| 9 | | | - | - | - | 9 |
| 10 | | | - | - | - | 10 |
| 11 | | | - | - | - | 11 |
| 12 | | | - | - | - | 12 |
| 13 | | | - | - | - | 13 |
| 14 | | | - | - | - | 14 |
| 15 | | | - | - | - | 15 |
| 16 | | | - | - | - | 16 |
| 17 | | | - | - | - | 17 |
| 18 | | | - | - | - | 18 |
| 19 | | | - | - | - | 19 |
| 20 | | | - | - | - | 20 |
| 21 | | | - | - | - | 21 |
| 22 | | | - | - | - | 22 |
| 23 | | | - | - | - | 23 |
| 24 | | | - | - | - | 24 |
| 25 | | | - | - | - | 25 |
| 26 | | | - | - | - | 26 |
| 27 | | | | | | 27 |
| 28 | Column Subtotal | | <u>\$ (2,944)</u> | <u>\$ (226)</u> | (3,170) | 28 |
| 29 | | | | | | 29 |
| 30 | Rounding | | | | - | 30 |
| 31 | | | | | | 31 |
| 32 | Total Revenue Effect of Operating Statement Adjustments | | | | <u>\$ (3,170)</u> | 32 |

(1) Source: Adjustment x Staff GRCF.

(2) Source: ICC Staff Ex 6.0, Schedule 6.5, Page 2 of 3, Column (E), Line 30.

Illinois-American Water Company
Interest Synchronization Adjustment
For the Test Year Ended December 31, 2001
Sterling District

| Line No | Description | Amount |
|------------|--|--------------------|
| 1 | Staff Rate Base | \$ 6,198,619 (1) |
| 2 | Weighted Cost of Debt | <u>3.8461%</u> (2) |
| 3 | Synchronized Interest per Staff | 238,405 |
| 4 | Company Interest Expense | <u>239,020</u> (3) |
| 5 | Increase (Decrease) in Interest Expense (Line 3 - Line 4) | <u>\$ (615)</u> |
| 6 | Increase (Decrease) in State Income Tax Expense (Line 5 * 7.18%) | <u>\$ 25</u> |
| 7 | Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 34%) | <u>\$ 207</u> |

(1) Source: ICC Staff Ex 6.0, Schedule 6.3-STG, Column (D).

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: Company Exhibit 12.0, Schedule C-3.11, Page 4, Line 9.

Illinois-American Water Company
Adjustment to Cash Working Capital
For the Test Year Ended December 31, 2001
Sterling

| Line No | Description (A) | Amount (B) | Staff Adjustment (C) | Source (D) |
|------------|--|---------------|----------------------------|---|
| 1 | Total Operating Expenses (Pre Income Tax) | \$ 1,861,897 | | (1) |
| 2 | Less: | | | |
| 3 | Uncollectible Accounts Expense | 6,051 | | (2) |
| 4 | Annual Amortization of Rate Case Expense | 3,036 | | (3) |
| 5 | Depreciation Expense | 319,556 | | (4) |
| 6 | Taxes Other Than Income | 154,534 | | (5) |
| 7 | Operating Expenses Requiring Working Capital | \$ 1,378,720 | | Line 1 minus the sum of Lines 3 through 6 |
| 8 | 45(lag days)/360 (30 day month year) | <u>12.50%</u> | | |
| 9 | Total Cash Working Capital Per Staff | | \$ 172,340 | Line 7 multiplied by Line 8 |
| 10 | Total Cash Working Capital Per Company | | <u>172,721</u> | (6) |
| 11 | Adjustment to Cash Working Capital | | <u>\$ (381)</u> | Line 9 minus Line 10 |

(1) Source: ICC Staff Ex 6.0, Schedule 6.1-STG, Column (I), Line 17.

(2) Source: ICC Staff Ex 6.0, Schedule 6.1-STG, Column (I), Line 5.

(3) Source: ICC Staff Ex 6.0, Schedule 6.1-STG, Column (I), Line 11.

(4) Source: ICC Staff Ex 6.0, Schedule 6.1-STG, Column (I), Line 13.

(5) Source: ICC Staff Ex 6.0, Schedule 6.1-STG, Column (I), Line 14.

(6) Source: Company Exhibit No.11.0, B-5a, Page 4, Line 9.

Illinois-American Water Company
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
Streator District

| Line No | Description | Company Pro Forma Present (C-2) (B) | Staff Adjustments (St. Ex. 6.0) (C) (C) | Staff Pro Forma Present (Cols. B+C) (D) (D) | Company Proposed Increase (C-1) (E) (E) | Staff Gross Revenue Conversion Factor (F) (F) | Proposed Rates with Staff Adjustments (Cols. D+E+F) (G) (G) | Adjustment To Proposed Increase (H) (H) | Staff Pro Forma Proposed (Cols. G+H) (I) (I) | Revenue Change (Col I-D) (J) (J) | % Revenue Change (3) (K) (K) |
|---------|-------------------------------------|--|--|--|--|--|--|--|---|-------------------------------------|---------------------------------|
| 1 | Water Sales | \$ 2,739,793 | \$ - | \$ 2,739,793 | \$ 285,951 | \$ (821) | \$ 3,024,923 | \$ (75,375) | \$ 2,949,548 | | |
| 2 | Other Operating Revenue | 11,200 | - | 11,200 | - | - | 11,200 | - | 11,200 | | |
| 3 | Total Operating Revenue | 2,750,993 | - | 2,750,993 | 285,951 | (821) | 3,036,123 | (75,375) | 2,960,748 | \$ 209,755 | 7.62% |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | 8,108 | - | 8,108 | 1,878 | (6) | 9,980 | (495) | 9,485 | | |
| 6 | Salaries & Wages | 682,899 | - | 682,899 | - | - | 682,899 | - | 682,899 | | |
| 7 | Employee Benefits | 151,330 | - | 151,330 | - | - | 151,330 | - | 151,330 | | |
| 8 | Operating Expenses | 117,236 | - | 117,236 | - | - | 117,236 | - | 117,236 | | |
| 9 | Maintenance - Other | 77,431 | - | 77,431 | - | - | 77,431 | - | 77,431 | | |
| 10 | Administrative & General Expenses | 261,901 | (3,092) | 258,809 | - | - | 258,809 | - | 258,809 | | |
| 11 | Regulatory Expense | 3,854 | (295) | 3,559 | - | - | 3,559 | - | 3,559 | | |
| 12 | Miscellaneous | 201,703 | (501) | 201,202 | - | - | 201,202 | - | 201,202 | | |
| 13 | Depreciation & Amortization Expense | 402,228 | - | 402,228 | - | - | 402,228 | - | 402,228 | | |
| 14 | Taxes Other Than Income Tax | 161,162 | - | 161,162 | 309 | (309) | 161,162 | - | 161,162 | | |
| 15 | | - | - | - | - | - | - | - | - | | |
| 16 | Total Operating Expense | | | | | | | | | | |
| 17 | Before Income Taxes | 2,067,852 | (3,888) | 2,063,964 | 2,187 | (315) | 2,065,836 | (495) | 2,065,341 | | |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 11,179 | 263 | 11,442 | 11,379 | (54) | 22,767 | (2,994) | 19,773 | | |
| 20 | Federal Income Tax | 116,706 | 2,203 | 118,909 | 95,629 | (452) | 214,086 | (25,160) | 188,926 | | |
| 21 | Deferred Taxes and ITCs Net | (14,104) | - | (14,104) | - | - | (14,104) | - | (14,104) | | |
| 22 | Total Operating Expenses | 2,181,633 | (1,422) | 2,180,211 | 109,195 | (821) | 2,288,585 | (28,649) | 2,259,936 | | |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | \$ 569,360 | \$ 1,422 | \$ 570,782 | \$ 176,756 | \$ - | \$ 747,538 | \$ (46,726) | \$ 700,812 | | |
| s | Staff Rate Base | | | | | | | | \$ 8,341,317 | (1) | |
| #### | Staff Overall Rate of Return | | | | | | | | | 8.40% | (2) |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.3-STR, Column (D).

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Illinois-American Water Company
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
Streator District

| Line No | Description | Champaign Office | | | | (F) | (G) | (H) | (I) | (J) | Total Operating Statement Adjustments (K) |
|------------|-------------------------------------|---|--|---|---|------|------|------|------|------|---|
| | | Interest Synchron- ization (St. Ex. 6.0 Sch 6.6-STR | Rate Case Expense (St. Ex. 1.0 Sch 1.9-STR) | Charitable Contributions Expense (St. Ex. 1.0 Sch 1.10-STR) | Building Lease Expense (St. Ex. 1.0 Sch 1.12-STR) | | | | | | |
| | (A) | (B) | (C) | (D) | (E) | | | | | | |
| 1 | Water Sales | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | Other Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| 3 | Total Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| 4 | | | | | | | | | | | |
| 5 | Uncollectible Accounts | - | - | - | - | - | - | - | - | - | - |
| 6 | Salaries & Wages | - | - | - | - | - | - | - | - | - | - |
| 7 | Employee Benefits | - | - | - | - | - | - | - | - | - | - |
| 8 | Operating Expenses | - | - | - | - | - | - | - | - | - | - |
| 9 | Maintenance - Other | - | - | - | - | - | - | - | - | - | - |
| 10 | Administrative & General Expenses | - | - | - | (3,092) | - | - | - | - | - | (3,092) |
| 11 | Regulatory Expense | - | (295) | - | - | - | - | - | - | - | (295) |
| 12 | Miscellaneous | - | - | (501) | - | - | - | - | - | - | (501) |
| 13 | Depreciation & Amortization Expense | - | - | - | - | - | - | - | - | - | - |
| 14 | Taxes Other Than Income Tax | - | - | - | - | - | - | - | - | - | - |
| 15 | | - | - | - | - | - | - | - | - | - | - |
| 16 | Total Operating Expense | | | | | | | | | | |
| 17 | Before Income Taxes | - | (295) | (501) | (3,092) | - | - | - | - | - | (3,888) |
| 18 | | | | | | | | | | | |
| 19 | State Income Tax | 107 | 12 | 20 | 124 | - | - | - | - | - | 263 |
| 20 | Federal Income Tax | 897 | 99 | 168 | 1,039 | - | - | - | - | - | 2,203 |
| 21 | Deferred Taxes and ITCs Net | - | - | - | - | - | - | - | - | - | - |
| 22 | Total Operating Expenses | 1,004 | (184) | (313) | (1,929) | - | - | - | - | - | (1,422) |
| 23 | | | | | | | | | | | |
| 24 | NET OPERATING INCOME | \$ (1,004) | \$ 184 | \$ 313 | \$ 1,929 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,422 |

Illinois-American Water Company
Rate Base
For the Test Year Ended December 31, 2001
Streator District

| Line No | Description (A) | Company | Staff | Staff |
|------------|--------------------------------------|----------------------------|--|-------------------------------|
| | | Pro Forma (B-1a) (B) | Adjustments (St. Ex. 6.0) Sch 6.4-STR (C) | Pro Forma (Col B+C) (D) |
| 1 | Gross Utility Plant at Original Cost | \$ 13,775,753 | \$ - | \$ 13,775,753 |
| 2 | FAS 109 Regulatory Asset (Net) | (289,698) | - | (289,698) |
| 3 | Reserve for Accum. Depr. and Amort. | <u>(3,312,674)</u> | <u>(66,625)</u> | <u>(3,379,299)</u> |
| 4 | Net Plant | \$ 10,173,381 | \$ (66,625) | \$ 10,106,756 |
| 5 | | | | |
| 6 | Additions to Rate Base: | | | |
| 7 | Cash Working Capital | 186,563 | (450) | 186,113 |
| 8 | Materials and Supplies | 111,250 | (12,862) | 98,388 |
| 9 | Deferred Maintenance | 4,085 | - | 4,085 |
| 10 | Reengineering Costs | - | - | - |
| 11 | | - | - | - |
| 12 | | - | - | - |
| 13 | | - | - | - |
| 14 | | - | - | - |
| 15 | | - | - | - |
| 16 | | | | |
| 17 | Deductions from Rate Base: | | | |
| 18 | Contributions in Aid of Construction | (1,944,472) | - | (1,944,472) |
| 19 | Accumulated Depr. on Cont. Property | 239,902 | (14,708) | 225,194 |
| 20 | Customer Advances for Construction | (231,022) | - | (231,022) |
| 21 | Deferred Federal Income Tax | (95,652) | 29,690 | (65,962) |
| 22 | Deferred State Income Tax | (37,718) | 4,067 | (33,651) |
| 23 | Investment Tax Credit - Pre-1971 | (4,112) | - | (4,112) |
| 24 | | - | - | - |
| 25 | | <u>-</u> | <u>-</u> | <u>-</u> |
| 26 | | | | |
| 27 | Rate Base | <u>\$ 8,402,205</u> | <u>\$ (60,888)</u> | <u>\$ 8,341,317</u> |

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Streator District

Docket No.00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - STR
Page 1 of 3

| Line No | Description (A) | Effect at Company ROR (B) | Effect Of Staff ROR (C) | Effect of Interest Synch. (D) | Rounding (E) | TOTAL REVENUE EFFECT (F) |
|------------|---|------------------------------------|----------------------------------|--|-----------------|-----------------------------------|
| 1 | Company Proposed Increase | | | | | \$ 285,951 (1) |
| 2 | Staff Rate of Return applied to COMPANY RATE BASE | 8.40% (2) | (64,828) | | | (64,828) |
| 3 | Return on Equity | 10.20% (2) | | | | |
| 4 | Staff Adjustments - Total RATE BASE (from Page 2 of 3) | (8,722) | 470 | 1,420 | - | (6,832) |
| 5 | | | | | | |
| 6 | Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3) | | | | | (3,714) |
| 7 | | | | | | |
| 8 | Revenue Conversion Factor Adjustment | | | | | (821) |
| 9 | | | | | | |
| 10 | Rounding | | | | | (1) |
| 11 | | | | | | |
| 12 | Total Effect of Staff Proposals | | | | | (76,196) |
| 13 | | | | | | |
| 14 | | | | | | |
| 15 | Staff Proposed Change to Revenues | | | | | <u>\$ 209,755</u> (3) |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | Rounding (Memo Only) | | (1) | (Memo Only) | | |
| 19 | | | | | | |
| 20 | Staff Rate of Return applied to STAFF RATE BASE (Memo Only) | | <u>\$ (64,359)</u> | (Memo Only) | | |

(1) Source: Company Exhibit 12.0, Schedule C-1, Page 8, Line 1.

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: ICC Staff Ex. 6.0, Schedule 6.1-STR, Column (J).

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Streator District

Docket No.00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - STR
Page 2 of 3

| Line No | Description (A) | Exhibit (B) | Effect at Company ROR (1) (C) | Effect Of Staff ROR (2) (D) | Effect of Interest Synch. (3) (E) | Rounding (F) (F) | TOTAL REVENUE EFFECT (4) (G) | Line No |
|------------|---|---------------------------------|---|---|---|------------------------|--|------------|
| 1 | Staff Adjustments - RATE BASE | | | | | | | 1 |
| 2 | Cash Working Capital | ICC Staff Ex. 6.0, Sch 6.6-STR | \$ (64) | \$ 3 | \$ 10 | \$ 1 | \$ (50) | 2 |
| 3 | Accumulated Deferred Income Taxes | ICC Staff Ex. 1.0, Sch 1.11-STR | 477 | (26) | (78) | 1 | 374 | 3 |
| 4 | Materials & Supplies | ICC Staff Ex. 2.0, Sch 2.1-STR | (1,842) | 99 | 300 | - | (1,443) | 4 |
| 5 | Accumulated Depreciation | ICC Staff Ex. 2.0, Sch 2.2-STR | (7,292) | 393 | 1,188 | (1) | (5,712) | 5 |
| 6 | | | - | - | - | - | - | 6 |
| 7 | | | - | - | - | - | - | 7 |
| 8 | | | - | - | - | - | - | 8 |
| 9 | | | - | - | - | - | - | 9 |
| 10 | | | - | - | - | - | - | 10 |
| 11 | | | - | - | - | - | - | 11 |
| 12 | | | - | - | - | - | - | 12 |
| 13 | | | - | - | - | - | - | 13 |
| 14 | | | - | - | - | - | - | 14 |
| 15 | | | - | - | - | - | - | 15 |
| 16 | | | - | - | - | - | - | 16 |
| 17 | | | - | - | - | - | - | 17 |
| 18 | | | - | - | - | - | - | 18 |
| 19 | | | - | - | - | - | - | 19 |
| 20 | | | - | - | - | - | - | 20 |
| 21 | | | - | - | - | - | - | 21 |
| 22 | | | - | - | - | - | - | 22 |
| 23 | | | - | - | - | - | - | 23 |
| 24 | | | - | - | - | - | - | 24 |
| 25 | | | - | - | - | - | - | 25 |
| 26 | | | - | - | - | - | - | 26 |
| 27 | | | | | | | | 27 |
| 28 | Subtotal | | (8,721) | 469 | 1,420 | 1 | (6,831) | 28 |
| 29 | Rounding | | (1) | 1 | - | (1) | (1) | 29 |
| 30 | Total Revenue Effect of Rate Base Adjustments | | <u>\$ (8,722)</u> | <u>\$ 470</u> | <u>\$ 1,420</u> | <u>\$ -</u> | <u>\$ (6,832)</u> | 30 |

(1) Source: Adjustment x Co. ROR x Staff GRCF.

(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.

(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.

(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Streator District

Docket No.00-0340
ICC Staff Ex. 6.0
Schedule 6.5 - STR
Page 3 of 3

| Line No | Description (A) | Exhibit (B) | TOTAL REVENUE EFFECT (1) (C) | Remove Rate Base Portion (2) (D) | Operating Statement Portion (C+D) (E) | Line No |
|------------|---|---------------------------------|--|--|---|------------|
| 1 | Staff Adjustments - Operating Statement | | | | | 1 |
| 2 | Interest Synchronization | ICC Staff Ex. 6.0, Sch 6.6-STR | \$ 1,620 | \$ (1,420) | \$ 200 | 2 |
| 3 | Rate Case Expense | ICC Staff Ex. 1.0, Sch 1.9-STR | (297) | | (297) | 3 |
| 4 | Charitable Contributions Expense | ICC Staff Ex. 1.0, Sch 1.10-STR | (505) | | (505) | 4 |
| 5 | Champaign Office Building Lease Expense | ICC Staff Ex. 1.0, Sch 1.12-STR | (3,112) | | (3,112) | 5 |
| 6 | | | - | | - | 6 |
| 7 | | | - | | - | 7 |
| 8 | | | - | | - | 8 |
| 9 | | | - | | - | 9 |
| 10 | | | - | | - | 10 |
| 11 | | | - | | - | 11 |
| 12 | | | - | | - | 12 |
| 13 | | | - | | - | 13 |
| 14 | | | - | | - | 14 |
| 15 | | | - | | - | 15 |
| 16 | | | - | | - | 16 |
| 17 | | | - | | - | 17 |
| 18 | | | - | | - | 18 |
| 19 | | | - | | - | 19 |
| 20 | | | - | | - | 20 |
| 21 | | | - | | - | 21 |
| 22 | | | - | | - | 22 |
| 23 | | | - | | - | 23 |
| 24 | | | - | | - | 24 |
| 25 | | | - | | - | 25 |
| 26 | | | - | | - | 26 |
| 27 | | | | | | 27 |
| 28 | Column Subtotal | | <u>\$ (2,294)</u> | <u>\$ (1,420)</u> | (3,714) | 28 |
| 29 | | | | | | 29 |
| 30 | Rounding | | | | - | 30 |
| 31 | | | | | | 31 |
| 32 | Total Revenue Effect of Operating Statement Adjustments | | | | <u>\$ (3,714)</u> | 32 |

(1) Source: Adjustment x Staff GRCF.

(2) Source: ICC Staff Ex. 6.0, Schedule 6.5-STR, Page 2 of 3, Column (E), Line 30.

Illinois-American Water Company
Interest Synchronization Adjustment
For the Test Year Ended December 31, 2001
Streator District

| Line No | Description | Amount |
|------------|--|--------------------|
| 1 | Staff Rate Base | \$ 8,341,317 (1) |
| 2 | Weighted Cost of Debt | <u>3.8461%</u> (2) |
| 3 | Synchronized Interest per Staff | 320,815 |
| 4 | Company Interest Expense | <u>323,485</u> (3) |
| 5 | Increase (Decrease) in Interest Expense (Line 3 - Line 4) | \$ <u>(2,670)</u> |
| 6 | Increase (Decrease) in State Income Tax Expense (Line 5 * 7.18%) | \$ <u>107</u> |
| 7 | Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 34%) | \$ <u>897</u> |

(1) Source: ICC Staff Ex. 6.0, Schedule 6.3-STR, Column (D).

(2) Source: ICC Staff Ex. 8.0, Schedule 8.1.

(3) Source: Company Exhibit 12.0, Schedule C-3.11, Page 8, Line 9.

Illinois-American Water Company
Adjustment to Cash Working Capital
For the Test Year Ended December 31, 2001
Streator

| Line No | Description (A) | Amount (B) | Staff Adjustment (C) | Source (D) |
|------------|--|---------------|----------------------------|---|
| 1 | Total Operating Expenses (Pre Income Tax) | \$ 2,065,341 | | (1) |
| 2 | Less: | | | |
| 3 | Uncollectible Accounts Expense | 9,485 | | (2) |
| 4 | Annual Amortization of Rate Case Expense | 3,559 | | (3) |
| 5 | Depreciation Expense | 402,228 | | (4) |
| 6 | Taxes Other Than Income | 161,162 | | (5) |
| 7 | Operating Expenses Requiring Working Capital | \$ 1,488,907 | | Line 1 minus the sum of Lines 3 through 6 |
| 8 | 45(lag days)/360 (30 day month year) | <u>12.50%</u> | | |
| 9 | Total Cash Working Capital Per Staff | | \$ 186,113 | Line 7 multiplied by Line 8 |
| 10 | Total Cash Working Capital Per Company | | <u>186,563</u> | (6) |
| 11 | Adjustment to Cash Working Capital | | <u>\$ (450)</u> | Line 9 minus Line 10 |

- (1) Source: ICC Staff Ex. 6.0, Schedule 6.1-STR, Column (I), Line 16.
(2) Source: ICC Staff Ex. 6.0, Schedule 6.1-STR, Column (I), Line 5.
(3) Source: ICC Staff Ex. 6.0, Schedule 6.1-STR, Column (I), Line 11.
(4) Source: ICC Staff Ex. 6.0, Schedule 6.1-STR, Column (I), Line 13.
(5) Source: ICC Staff Ex. 6.0, Schedule 6.1-STR, Column (I), Line 14.
(6) Source: Company Exhibit No.11.0, B-5a, Page 8, Line 9.